Mortgaging the Future: the Financialization of Affordable Housing in Canada, 1984-2008

by

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Abstract

This project provides a policy history of the ideological and structural factors that underpinned the transformation of federal affordable housing policy in Canada from 1984 to 2008. Emerging out the subsidy-based Keynesian housing programs of the 1970s, the federal government began to construct a new 'financialized' approach to affordable housing in the 1980s centered on the mortgage insurance and securitization operations of the Canada Mortgage and Housing Corporation, Canada's federal housing agency. This new approach to housing policy was fully consolidated by the end of the 1990s and was one factor contributing to affordability problems and growing indebtedness in Canada's metropolitan centres over the 2000s. New mortgage insurance products and securitization programs, the key pieces of financialized housing policy, incentivized financial institutions to lend mortgage credit to households over the 2000s, which in turn helped drive demand and competition for homes in urban housing markets. The project argues that in the 1980s and 90s political and economic structures were the main factor prompting the restructuring of affordable housing policy, but that over the 2000s restructuring became more dominated by the ideological belief that financial innovation and market competition could provide affordable housing for lower-income borrowers.

Keywords: Financialization; neoliberalization; housing policy; securitization; restructuring

Dedication

I dedicate this work to the memory of my father, Keith Clifford and my mother Sabine, as well as my friends and family who supported me throughout this project.

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I thank Karen Ferguson for her supervision throughout the project. All errors are the authors and the authors alone.

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AHOP	Assisted Homeowners Plan
ARP	Assisted Rental Program
CMHC	Canada Mortgage and Housing Corporation
CMB	Canada Mortgage Bonds
CHT	Canada Housing Trust
DTI	Debt-to-Income
FIRE	Finance, Insurance, and Real Estate
GDP	Gross Domestic Product
GFC	Global Financial Crisis
IMPP	Insured Mortgage Purchase Program
NHA	National Housing Act
NHA MBS	National Housing Act Mortgage-Backed Securities
MBS	Mortgage-backed Security
MURB	Multiple Rent Unit Building Scheme
OSFI	Office of the Superintendent of Financial Institutions
PC	Progressive Conservative
SPV	Special Purpose Vehicle

Chapter 1.

Introduction

> Danish writer Henrik Ibsen...said that there can be no freedom or beauty about a home life that depends on borrowing and debt. I suggest to the House that this is *exactly the opposite now* and that one has to have access to borrowing and debt in order to enjoy the kind of amenities in housing that Canadians feel they are entitled to have. (Emphasis added)
>
> – Elmer McKay, the Federal minister responsible for housing, June 1992.

This project begins with a question. Put simply, I ask how and why over the last 30 years the Canadian federal government created a new affordable housing policy based on household borrowing and debt. Beginning with the onset of market-based restructuring in the 1980s, a series of Liberal, Progressive Conservative, and Conservative governments began to dismantle and discredit the Keynesian low-income housing policies and programs that had emerged in the mid-1960s and 1970s. Out of this restructuring process, the federal government began to construct a new 'financialized' affordable housing strategy centered on the mortgage insurance operations of the Canada Mortgage and Housing Corporation (CMHC). The goal of restructuring was to promote credit growth and homeownership for lower-income groups as an alternative to the subsidy-based Keynesian approach to low-income housing.

Through examining the history of affordable housing policy restructuring, this project seeks to accomplish two interrelated tasks. First, it seeks to contribute to the literature on Canadian housing policy through expanding upon existing accounts of its neoliberal restructuring. I seek to show how in the wake of federal retrenchment from

social housing[1], the federal government did not merely leave affordable housing to the market but refashioned state intervention to promote credit growth and debt-financed homeownership for lower-income households. This history has not been fully accounted for in the Canadian housing policy literature and is important because it helps illuminate one aspect of declining affordability in Canada's urban housing markets over the 2000s, which is the second task of this research.

Crucially, by the late 1990s the restructuring of housing policy turned the CHMC, Canada's federal housing agency, into a quasi-private, commercial financial institution that was given a mandate to expand mortgage credit to more households through financial innovation such as new mortgage securitization programs and mortgage insurance products aimed at lower-income households. Over the 2000s housing finance innovation (largely led by the CMHC), deregulation of the mortgage market, and lower interest rates prompted an environment of easier credit that allowed more households to access mortgage loans. In turn, these developments created more competition and demand in urban housing markets and helped boost home values over the 2000s, contributing to affordability problems and growing indebtedness in many of Canada's metropolitan centres.

The aim of this project is to examine one the historical roots of rising unaffordability and indebtedness in Canada over the 2000s through asking how these developments relate to the restructuring of affordable housing policy. To this end, I ask the following question:

How and why did the Canadian federal government support and contribute to the 'financialization' of affordable housing policy between 1984 and 2008?

[1] I use the term 'social housing' throughout the project as an umbrella term to denote public, non-profit, and co-operative housing. These social housing programs were tied to long-term federal funding assistance programs.

In order to answer this question, the heart of the thesis provides a detailed policy history of affordable housing policy restructuring in Canada from 1970 to the late 2000s.[2] I begin in the 1970s because in that decade the federal government enacted a wide range of subsidy-based housing programs aimed at lower income households that were fully informed by the Keynesian-welfarist leanings of the decade. I show how gradually these social democratic threads in housing policy gave way to a neoliberal affordable housing strategy that gradually took hold from the late 1980s to the late 1990s, and then turned into a housing policy based on credit growth and debt for lower-income borrowers over the 2000s.

Throughout the narrative, I pay attention to how both ideas and structural factors undergirded the restructuring process. I argue that both ideas *and* economic and political structures were crucial to the transformation of affordable housing policy, but that the *relative* importance of each factor waxed and waned between each decade. In the 1980s and 90s, economic and political structures were dominant in driving the restructuring process. The slowdown of the capitalist economy over the 1970s was contributing to the rise of federal deficits, which in turn prompted policymakers to believe that they needed to get federal social expenditures under control in the 1980s and 1990s. Policymakers felt the need to restructure, download and cut-back expensive subsidy based housing programs, while constructing new policies that promoted homeownership for lower income borrowers based around the CMHC's mortgage insurance and securitization functions. By the 2000s, ideological factors came to dominate the restructuring process, as policymakers came to fully believe and normalize that financial innovation and competition were the best method of creating affordable housing for lower-income groups. In turn, this ideological belief spurred on further deregulation and restructuring of the mortgage market and housing policy more generally. Over the course of this shift, the federal government

[22] I define the concept of "affordable housing" as housing directed toward those in the bottom two quintiles of the income distribution, and which costs no more than 30 percent of household income for shelter. This measure of affordability has shifted over time. Dennis and Fish used the 20 percent benchmark to assess affordability problems in the 1970s (1972), but throughout the 1980s and 90s this measure was gradually expanded to mean 30 percent. The 30 percent benchmark has now become a widely accepted, standard definition of housing affordability (Metro Vancouver, 2013; BCNPHA, 2014).

also gave up on its national housing strategy, and is now the only OECD country without such legislation.

I conceptualize this shift in housing policy as a process of 'financialization', which I use to denote the increasing use of financial markets, rationales, programs, motives, and instruments to provide affordable housing, as well as the increasing tendency to favor financial actors (such as the banking sector) in housing policy. Financialization was spurred on ideologically and structurally by the process of neoliberalization, which emphasized deregulation, competition, innovation, and the power of markets (financial or otherwise) to deliver all goods and services efficiently. Housing policy restructuring gradually took hold through legislative changes to the *National Housing Act* and the *Canada Mortgage and Housing Act* and this history of restructuring, and its ideological and structural underpinnings, is the focus of this project.

1.1. Setting the Context: Rising Household Indebtedness in Canada, 1982-2012

Before moving into the literature informing my question, I will demonstrate the extent of rising household indebtedness and home values in Canada and its metropolitan centres over the 2000s using descriptive statistics, and will then move to discuss how these trends are related to the financialization of housing. I provide this discussion to help frame the importance of my policy history in chapter 4, since I argue that federal affordable housing policy restructuring is one important factor related to rising unaffordability and indebtedness in Canada's metropolitan centres over the 2000s.

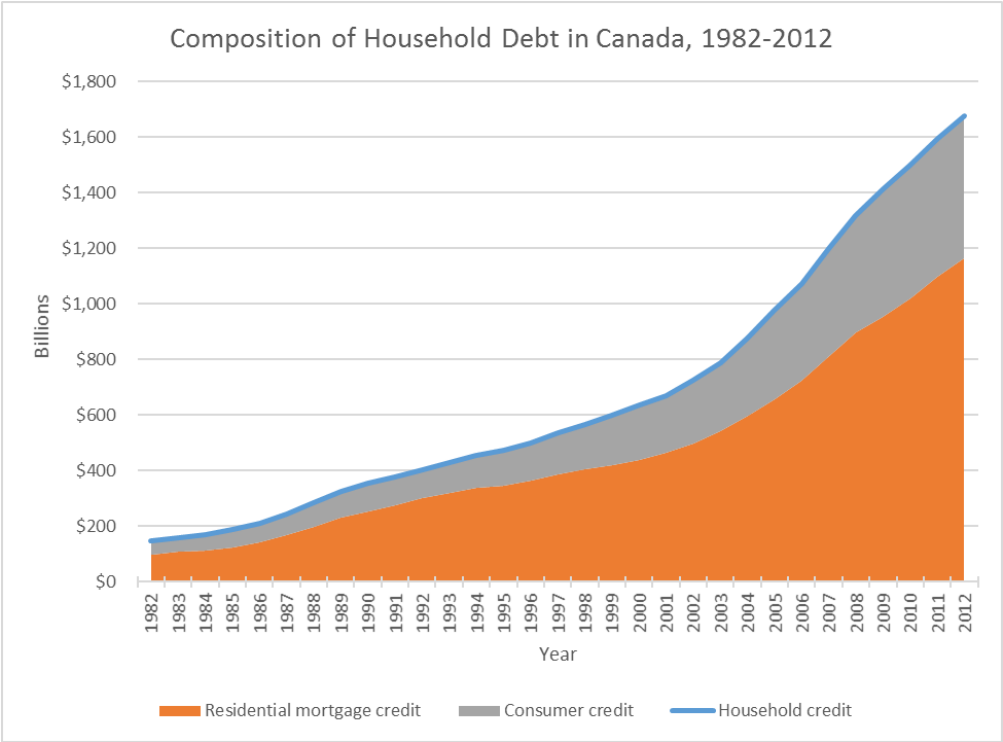
Since 2001, real estate prices and levels of household indebtedness have increased precipitously across the country. Mortgage debt accounts for approximately two-thirds of the debt households assume, while the other third is comprised of consumer debt such as credit cards, student and car loans (Chawla, 2011). Figure 1-1 demonstrates the rise of household debt in Canada from 1982 to 2012. As the graph indicates, mortgage debt increased from $99 billion in 1982 to $1,164 billion in 2012 with more than two-thirds

of this increase occurring between 1999 and 2012.[3] The numbers are similar for consumer credit, which increased from $48 billion in 1982 to $511 billion in 2012. As will be discussed throughout the project, the rapid rise of indebtedness in the 2000s is closely associated with housing policy restructuring. The growth of mortgage debt is concerning because it is regressively distributed among lower-income groups. Households falling in the bottom two income quintiles are more likely to have debt as well as spend a greater proportion of their income servicing their debt than richer households. Also, younger and lone-parent households are more likely to carry unsustainable debt loads (Hurst, 2011). .

While figure 1-1 shows the rise in household debt in absolute terms, figure 1-2 demonstrates the importance of the residential mortgage market in relation the national economy. Outstanding mortgage credit as a proportion of Gross Domestic Product (GDP) grew from only 25 percent in 1982 to 63 percent in 2012. This graph indicates the growing importance of housing, real estate, and mortgage debt to economic growth, through households using equity in their homes to finance consumption (Bailliu et al, 2012), as well as how the lending of mortgage credit has become more prominent in financial sector activities (Walks, 2014). Housing policy restructuring contributed to the growing importance of credit-induced economic growth for the national economy.

[3] These dollar figures are in current dollars, given that financial transaction that relate to borrowing and repayments are made in current dollars.

Figure 1-1. Growth of Household debt, 1982-2012

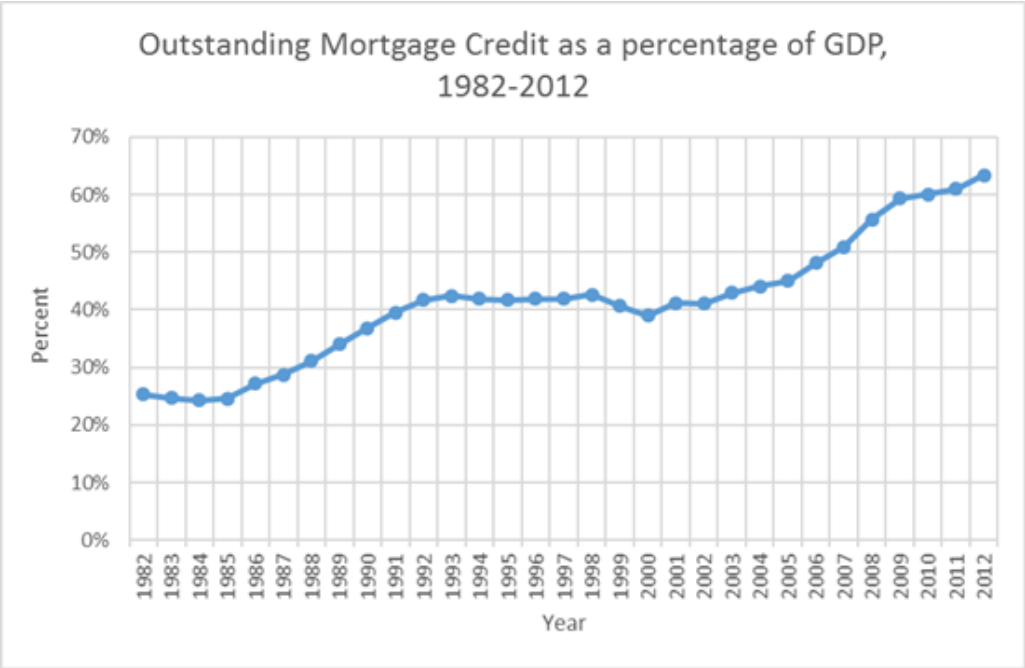


Source: Calculated by the author from CANSIM Table 176-0032

Debt is also manifested at the household level, as demonstrated by the rise in the proportion of debt to disposable (after tax) income among households since 1990. This proportion increased from 89.5 percent in the fourth quarter of 1990 to 164.8 percent in the fourth quarter of 2012(CANSIM table 378-0123), which exceeds the Debt-to-Income (DTI) ratio of 147 percent witnessed by the United States before the Global Financial Crisis (GFC).[4] What is also notable about this trend is that the *rate* of household debt accumulation increased rapidly after 2001. As a proportion of total disposable income, household debt between 1990 and 2001 increased at 1.9 percent annually, climbing to 3.73 percent between 2001 and 2008 and 4.91 percent between 2008 and 2010 (Walks, 2013a). These graphs indicate that household over the 2000s were taking on an increasing amount of debt, and the rate at which they are doing so increased over the 2000s.

[4] There are some methodological issues with making a direct comparison between the United States and Canada (see Statscan, 2013) on DTI ratios, but the comparison is still made in peer reviewed research (Walks, 2013a).

Figure 1-2. Outstanding Mortgage Credit as a Percentage of GDP



Source: Compiled by the author, CANSIM Table 176-0032 and 380-0063

A key aspect of increasing mortgage indebtedness was the explosion of real estate values over the 2000s. As figure 1-3 shows, real estate prices in Canada and its metropolitan markets outpaced median family incomes over the course of the 2000s. The restructuring of affordable housing policy was an important driver of declining affordability as credit growth, in part spurred by federal policy, helped push up demand and competition for homes, and subsequently prices, in urban housing markets. A standard indicator of affordability is a house price ratio of 3 times annual median family income (Demographia, 2014), but by the end of the first decade of the 2000s, prices outstripped this affordability indicator in many of Canada's biggest housing markets. Unaffordability was more pronounced in urban areas such as Vancouver and Toronto, with Vancouver representing some of the least affordable real estate in the world (Demographia, 2014).

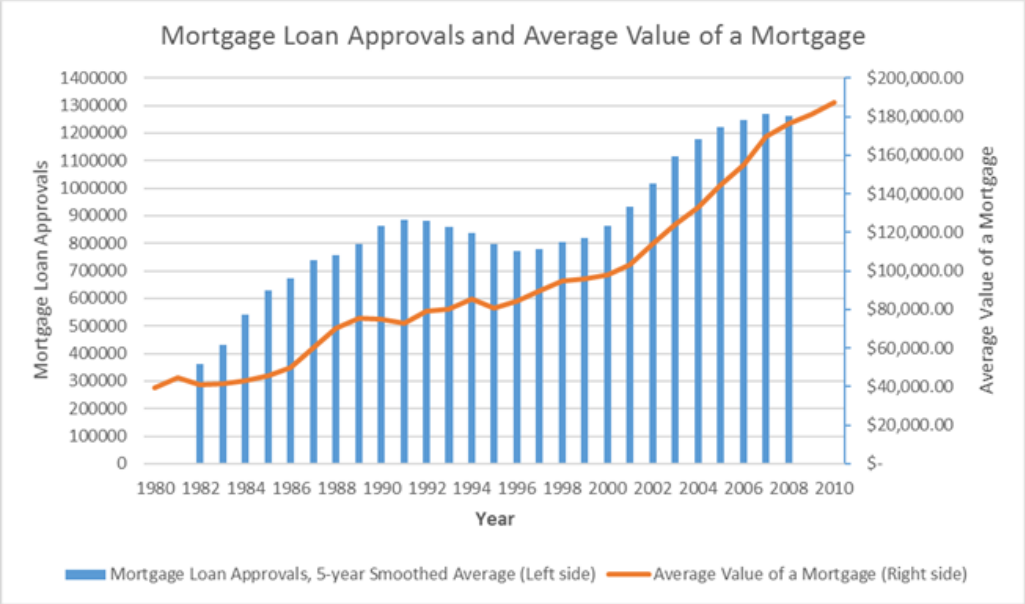
Table 1-1. Ratio of Average Median Family Income to Average Home Price

	Canada	Vancouver	Calgary	Edmonton	Ottawa	Toronto
1996	2.3	4.0	1.9	1.6	1.9	2.5
2001	2.4	3.7	2.1	1.7	2.1	2.9
2006	3.7	6.2	3.6	2.8	2.8	4.3
2011	4.7	9.6	3.7	3.5	3.4	5.5

Source: Calculated by the author Canadian Real Estate Association and Canadian Census, various years

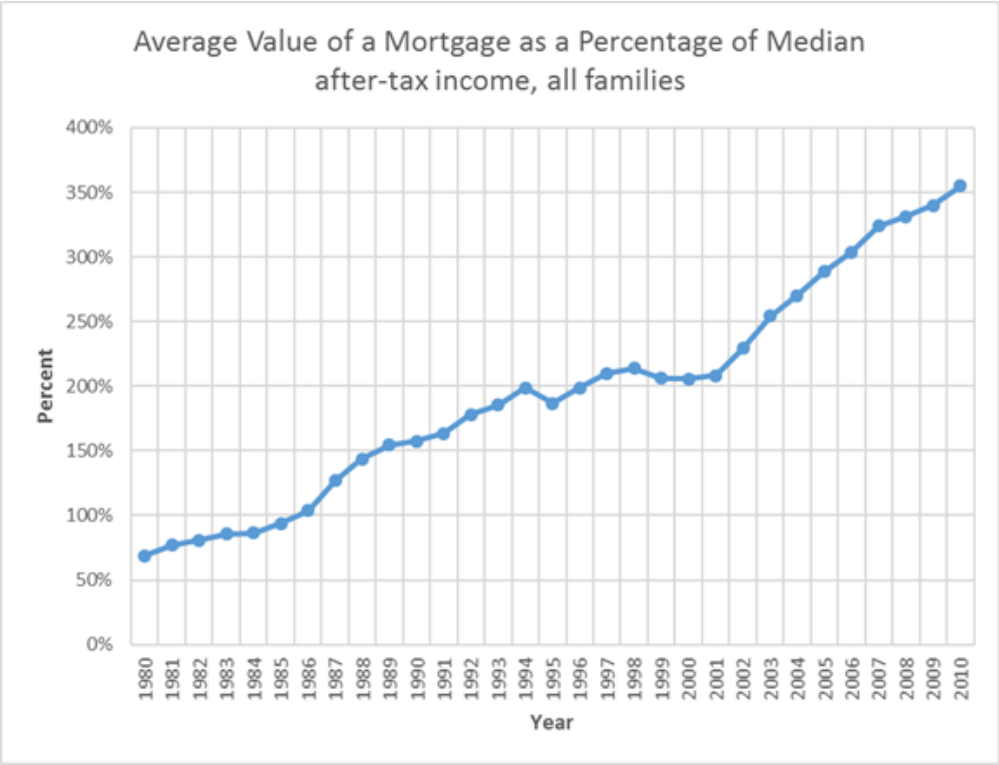
Real estate prices began to take off after 2001 as the mortgage market expanded. Figure 1-4 shows that the average value of a mortgage doubled between 1999 and 2010, and these increases rose in tandem with the size of the mortgage market, as measured by approvals. Figure 1-5 more clearly demonstrates how mortgage values (and by association, real estate prices) have outpaced incomes, leading to further indebtedness.

Figure 1-3. Mortgage Loan Approvals and Average Value of a Mortgage



Source: Calculated by the author, CANSIM table 027-0017

Figure 1-4. Average value of a mortgage as a percentage of disposable (after-tax) income, all families



Source: Calculated by the author, CANSIM Table 027-0017 and Table 202-0605

The historical restructuring of Canada's housing policy and its mortgage market is an under-analyzed dynamic in the process of rising home prices and indebtedness (Walks, 2014). As the urban geographer Manuel Aalbers explains "[o]n a national level, house price increases are not just the result of average income growth, economic booms, and housing shortages, but also and mostly the mortgage market's expansion" (Aalbers, 2012: 129). Through housing policy restructuring, financial institutions have been given various structural incentives lend more mortgages to households, and households have in turn have been able to access larger mortgage loans. This lending has been spurred on by financial innovation such as the development of higher risk mortgage products aimed at qualifying lower income borrowers, as well as mortgage securitization that allows banks to originate loans and then sell them to other entities in financial markets, in theory distributing risk (Immergluck, 2011). Given that more households have been given access to mortgage credit, this in turn expands the pool of borrowers in the housing market and fuels demand for houses. In an ever-expanding feedback loop there is "a co-evolution in

which the growth of the owner occupied sector (in volume or in prices) fuels the mortgage market, and the growth of the mortgage market (in volume and loan conditions) fuels the owner-occupied market." (Aalbers, 2012: 129).[5] The expansion of mortgage finance in short helps drive up the price of homes through expanding demand and competition for homes in urban property markets. As a result, rising mortgage indebtedness and real estate prices are tightly bound to policies that restructure housing finance policies.

I argue that the historical restructuring of Canada's low-income housing policy provides an important lens with which to understand one of the factors responsible for declining affordability in Canada's metropolitan housing markets and rising levels of indebtedness after 2001. Beginning in the mid-1980s, policymakers began the process of scaling back their support for low-income housing programs developed in the 1970s, and in their place developed a 'new approach' to affordable housing that relied on credit growth and homeownership for low- and moderate-income households. Gradually from the 1980s to the 2000s, the landscape of housing policy was shaped to emphasize the CMHC's mortgage insurance operations. Mortgage securitization, competition in the mortgage insurance market, and mortgage product innovation all aimed at increasing credit for lower-income borrowers substituted for the housing policies of the 1970s. For instance, over the 2000s mortgage down payment requirements were reduced, amortization lengths were extended and Total Debt Service ratios were loosened, which in turn allowed more households to enter the market and bid on more expensive homes than they otherwise would be permitted (Walks, 2012).This shift in emphasis of housing provision incentivized bank lending to lower-income borrowers (such as young couples, the working poor, new immigrants, and the self-employed) and sparked off a flurry of mortgage credit entering local housing markets over the 2000s, and had a flow through effect on prices.[6]

The study consists of four chapters in addition to this introduction. Chapter 2 examines the literature that will form the conceptual framework for my question, through

[5] Other studies moreover have shown that there is a co-dependant relationship between expanding mortgage credit and housing prices (Borio et al., 1994; Bank of International Settlements, 2001; Fitzpatrick and McQuinn, 2007; Brissimis and Vlassopoulous, 2009).

[6] Local real estate prices are also impacted by land use policy, restricted supply, and local conditions. For instance, immigration has been shown to play an important role in home price appreciation in Canada's global cities (Ley and Tutcheer, 2001; Moos and Skaburkis, 2010).

examining the literature pertaining to the neoliberalization, Canadian housing policy, financialization, and policy transformation. Chapter 3 is a brief chapter examining the methodology I adopted for the study.

At the heart of the thesis, Chapter 4 examines the history of affordable housing policy restructuring. The chapter breaks up the restructuring process into decades spanning from the 1970s to the 2000 in order to examine how neoliberalization and then financialization was intensified and deepened in each subsequent decade. Within each decade I examine the structural and ideological conditions that undergirded restructuring as well as the actual policies that the federal government enacted. I demonstrate how neoliberal restructuring gave way to the financialization of housing in the 2000s. Finally, chapter 5 provides a brief conclusion and summary of the project.

Chapter 2.

Literature Review

2.1. Introduction

In this chapter, I will engage with four interrelated sets of literature in order to provide a conceptual framework for my question. The four sets of literature I examine are those on neoliberalization, Canadian housing policy, financialization, and policy transformation. My project seeks to expand on accounts of neoliberal restructuring of Canadian housing policy through providing a more robust understanding of the restructuring process. In contrast to much of the Canadian housing policy literature that examines the dismantlement and retrenchment of the federal government from social housing, my project examines the active construction and consolidation of a new (neoliberal) approach to affordable housing policy that relied on financialization. Given that I understand this neoliberal approach to affordable housing as leading to the financialization of housing policy, I use the financialization literature to inform and contextualize this shift. Finally I tie all of these threads together through my policy history, and draw on policy transformation literature to highlight the importance of both ideas and structures to the restructuring process. This chapter situates my question in the literature and sets up the policy history in chapter 4.

2.2. Neoliberalization

I begin by examining the concept of neoliberalization because I will use it throughout the project as a lens with which to view housing policy restructuring and transformation in Canada since the 1980s. In doing so, I first describe what the concept refers to, how the project will interpret the concept, and the how the project will expand on the concept vis-à-vis the existing Canadian housing policy literature.

While the term ‘neoliberalism’ has come to be intensely debated in the literature and subject to many definitions (see Ferguson, 2010), treatments of the concept within

urban studies and economic geography have referred to it as a *process* much like globalization that has reinforced patterns of market-based institutional shifts and policy realignments across local, national, and international economies since the 1980s (Brenner, Peck, and Theodore 2010; Peck, 2010). While this form of restructuring has been path-dependent and has produced different results depending on the territorial context in which it has been introduced, the prevailing patterns that neoliberal restructuring reinforces include the alteration of governance structures at all scales to increase commodification, marketization, privatization, and financialization of all realms of the economy and social life (Brenner, Peck and Theodore, 2010; Coq-Huelva, 2013).

In order to conceptualize the historical progression of this form of restructuring and how it applies to Canadian housing policy, I draw on a very influential paper by Jamie Peck and Adam Tickell, who suggest neoliberalization is best understood as being characterized by two interconnected historical moments (Peck and Tickell, 2002). The first moment they characterize as one of 'roll-back' neoliberalism, in which upon assuming state power federal governments from Margaret Thatcher in Britain to Ronald Reagan in the US sought to implement sweeping 'roll-back' strategies of the basic tenets of the Keynesian-welfare state. The ideology that markets ought to self-regulate society led these governments to use state power to discredit, dismantle and deregulate socially collectivist institutions and programs such as unions and social housing, as well as other aspects of the Keynesian-welfare state such as regulation, corporatist planning, and state ownership of industry (Peck and Tickell, 2002).

Peck and Tickell understand the neoliberalization process as more than simply rolling back state interference in the economy to allow the private market reign free. In contrast to much of the literature that characterizes these shifts as solely the 'brush clearing' of Keynesian-welfarist social provisioning, they suggest that the second moment of restructuring involves one of 'roll-out neoliberalism' (Ibid). Roll-out neoliberalism is equally important to understanding the restructuring process, and involves the *construction, creation and consolidation* of new policy programs, institutions, modes of governance, and political regimes that internalize and further market logics in both individual subjects and institutional arrangements. Peck and Tickell neatly summarize how neoliberal restructuring should be analyzed:

> In the course of th[e] [neoliberal] shift, the agenda has gradually moved from one preoccupied with the active *destruction and discreditation* of Keynesian-welfarist and social-collectivist institutions (broadly defined)to one focused on the purposeful *construction and consolidation* of neoliberalized state forms, modes of governance, and regulatory relations. It is this more recent pattern of institutional and regulatory restructuring …that demands both analytical and political attention. (2002: 384)

For these authors, it is the construction and consolidation of new institutional arrangements, state forms, modes of governance and regulatory arrangements that are important to analyze in the restructuring process, given that they signal the deepening and intensification of neoliberalization (Ibid).

2.2.1. Neoliberalism and Canadian Housing Policy

When applied to the Canadian housing policy literature, Peck and Tickell's characterization of the neoliberalization process is only partially realized. The Canadian housing policy literature has thoroughly examined the neoliberal 'roll-back' of the federal government from Keynesian housing provision, but has not paid enough attention to the neoliberal 'roll-out'. That is, the literature has thoroughly examined how and why the federal government actively dismantled, withdrew, retrenched, and devolved its role from the Keynesian housing policy and programs that were established in the 1960s and 1970s up until their cancellation in 1993 (Bourne, 1986; Harris, 1992; Vakili-Sad, 1998; Wolfe, 1999; Corederley, 1999; Carroll and Jones, 2000; Hulchanski, 2002, 2007; Finkel, 2006; Dalton, 2009), but does not do enough to examine the other side of the restructuring process. Non-academic policy literature also focuses on this neoliberal 'roll-back', through frequently developing stylized histories of housing policy restructuring that suggest after 1993 housing was 'left to the market' (CPRN, 2009; Institute of Urban Studies, 2006; CHRA, 2014; Housing Services Corporation, 2014).

This aspect of restructuring, while important, does not fully explain the neoliberalization of Canadian housing policy because it does little to examine the active *construction and consolidation* of new forms of affordable housing provision that have developed since the federal government left social housing in 1993. Specifically, there is little discussion in the literature about the commericalization of the CMHC and the role mortgage insurance guarantees and securitization have played in providing affordable

housing since the onset of neoliberalization. I argue that a complete picture of the neoliberalization of housing policy can only be developed when there is an understanding of *both* the discrediting and dismantling of Keynesian housing programs as well as the creation and consolidation of new (neoliberal) approaches to affordable housing.

After the federal government withdrew from social housing in the 1990s, policymakers did not simply leave housing to the market, but were active in creating and consolidating new institutional arrangements, modes of governance, state forms and regulatory schemes that could increase access to mortgage credit for lower-income borrowers. State intervention in affordable housing policy was not entirely retrenched, but rather re-worked and reshaped. For instance, policymakers restructured the CMHC into a commercial financial institution that was expected to expand credit through new mortgage insurance products and mortgage securitization programs. Over the course of neoliberal restructuring the federal government moved from a model of directly providing, administering, and subsidizing social housing to a model of ensuring the financial sector could provide affordable mortgage financing to lower-income borrowers. In effect, the neoliberal 'roll-out' led to the 'financialization' of housing (discussed below). No study has fully analyzed this shift in affordable housing policy to date.

Where these shifts are discussed in the Canadian housing policy literature, they are not fully developed. For instance, a paper by Wolfe (1998) examining housing policy in the 1990s goes on to describe a variety market-based approaches to affordable housing that the federal government developed in that decade. Her discussion however is only two pages and does not fully capture important developments in housing policy since the time the article was published in 1999, such as the development of the Canada Mortgage Bonds Program in 2001. Other studies note how the government has "promoted homeownership" since government retrenchment in 1993, but do little to flesh out what policies these are and why they are important. In sum, there has been no systematic analysis of the restructuring of the CMHC, and the role mortgage insurance guarantees and mortgage securitization have played in the provision of affordable housing in Canada since neoliberal restructuring began in the 1980s.

This complete picture of neoliberalization is important because policy practitioners and activists are often in the dark as to the role that a commercialized CMHC, mortgage insurance and securitization have taken in the provision of affordable housing, as well as how this restructuring has been a key driver of affordability problems and rising indebtedness for lower-income households. Connecting the problem of retrenched social housing to affordability issues and rising levels of household indebtedness provides a new set of arguments about the failure of government retrenchment from social housing. The federal government does not fund social housing for the poor, but actively guarantees hundreds of billions of dollars worth of mortgages for the banks and the financial sector. Drawing out these contradictions can provide useful arguments to advocate for more social housing. Examining the neoliberal 'roll-out' then is important for both analytical and political reasons.

2.3. The Financialization of Housing in a Neoliberal context

As neoliberal restructuring progressed from the 1980s onward, the federal government constructed and consolidated an affordable housing strategy that increasingly relied on the financial sector (e.g. a commercialized CMHC, the banks, private mortgage insurers) to provide credit for lower-income borrowers. The financialization literature helps frame these changes to housing policy through showing that the finance, insurance, and real estate (FIRE) sector has become more prominent in the operation of domestic economies of high-income nations over the last 30 years. Changes in Canadian housing policy supported financialization of the economy, through increasingly placing housing and debt at its centre. The shift toward financialization has in turn had important ramifications for Canada's metropolitan centres, through contributing to housing unaffordability and the growth of household indebtedness. This section will describe what the concept refers to and how it will be used to inform the project.

Broadly, financialization refers to "the increasing role of financial motives, financial markets, financial actors, and institutions in the operation of domestic and international economies" over the last 30 years (Epstein et al., 2005:3). More specifically, research into this phenomenon has identified how profit generation in the United States and elsewhere since the 1980s has increasingly come from financial channels rather than commodity

production and trade, with the FIRE sector gaining a relative advantage in domestic profit generation to manufacturing and production (Krippner 2005; 2012; Dumenil and Levy, 2010). The case is similar in Canada, where the FIRE sector has grown in relative employment levels to the manufacturing sector, as well as in before-tax operating profits (Table 4-4 and Figure 4-3 below; Walks, 2010; Baragar and Chernomas, 2012).

Financialization is a pattern of accumulation central to many 'Western' political economies today and is deeply intertwined with neoliberalism (Dumenil and Levy, 2011; Finlayson, 2010; Walks, 2010; Englen et al, 2011). For the purpose of this study, I apply the concept of financialization to housing policy to denote the increasing use of financial markets, rationales, programs, motives, and instruments to provide affordable housing, as well as the increasing tendency to favor financial actors (such as the banking sector) in housing policy. Further, I understand the financialization of housing as a dominant trend in the pattern of neoliberal restructuring. As neoliberalization intensified through the 1980s and 90s, housing and mortgage markets became a more important aspect the domestic economy for Canada and other countries (see Sassen, 2012; Rolnik, 2013), as financial deregulation and then innovation has increased the role of credit growth and debt-financed homeownership in generating economic activity of high-income nations.

In the US and UK, where research on financialization has been primarily focused, financial deregulation and innovation transformed housing from a spatially fixed entity in neighbourhoods into highly tradable and highly profitable financial commodities for the global economy (Gotham, 2006, 2012; Engel and McCoy, 2011; Wainwright, 2012; Sassen, 2012). Of particular importance to the financial commodification of housing was the development of mortgage-backed securitization (Gotham, 2006, 2009, 2012; Immergluck, 2009, 2011; Schwartz, 2009; Engel and McCoy, 2011). Securitization has been a major factor in directing flows of credit toward the residential mortgage market in the US and globally and is associated with helping to facilitate asset bubbles (Schwartz, 2012). While the architecture of securitization in different national contexts is quite complex, its basic premise is simple: it allows financial institutions to package mortgages held on their balance sheets into 'pools' (usually through transferring the mortgages to a special trust), and then sell bond-like instruments (securities) backed by these pools to investors. Through selling mortgages to investors in the form of securities, financial

institutions are able remove mortgages from their balance sheets and lower their capital reserve requirements set by the Bank of International Settlements, which in turn frees up more mortgage credit for lending (Aalbers, 2012).

Securitization is associated with higher risk lending and higher loan-to-value ratios, as it allows financial institutions to package high risk loans and then sell them to others willing to bear the risk in financial markets, even though it might be difficult to assess the quality of underlying assets (Schwartz, 2012; Walks, 2014). As Engel and McCoy note:

> Securitization revolutionized home mortgage finance by wedding Wall Street with Main Street. It tapped huge new pools of capital across the nation and abroad to finance home mortgages in the United States. Lenders, in a continuous cycle, could make loans, sell those loans for securitization, then plow the sales proceeds into a new pack of loans, which in turn could be securitized. (Engel and McCoy:18)

Mortgage securitization increasingly connects housing to global financial markets, and has been said to embody the financialization of housing (Aalbers, 2008).

In studies that have examined the financialization of housing, with securitization and deregulation at its centre, rising home prices and indebtedness have been shown to be two dominant outcroppings of the process. For instance, Manuel Aalbers has concluded that in the US and Netherlands "[f]inancialization has resulted in an increase in the number of homeowners, but also, and more importantly, in a rapid and huge increase in the value of homes" (Aalbers, 2008, 2012). In the US, the proliferation of the housing bubble over the first half of the 2000s has been shown to be tightly tied to the development of mortgage securitization and subprime lending (Schwartz, 2009; Immergluck, 2009, 2012; Sassen, 2012). Risky new mortgage products, and relaxed underwriting standards and loan terms were designed to qualify more buyers for mortgages, and significantly contributed to an environment of easy credit, which in turn increased demand for homes and pushed up prices (Engel and McCoy, 2011). For instance, some mortgage products designed to qualify more borrowers created artificially low 'teaser rates' for the initial few years of the loan, followed by substantially increased monthly payments after that time. These types of products allowed lenders to qualify borrowers based on the low monthly payment, without regard for their capacity to pay it back afterward (Ibid.). Lenders did not care about the ability of borrowers to repay their loans however, because they could

securitize the loans and sell them to other entities in financial markets. This easy credit environment was contributing to affordability problems in US housing markets over the 2000s. For instance, average home prices rose 50 percent in value between 2001 and 2005, as securitization and subprime lending began to take off nationally (Schwartz, 2009; Engel and McCoy, 2011) .On the West Coast of the United States, home prices increased by 20 percent in one year between 2004 and 2005, corresponding to the subprime-securitization boom (Ibid).

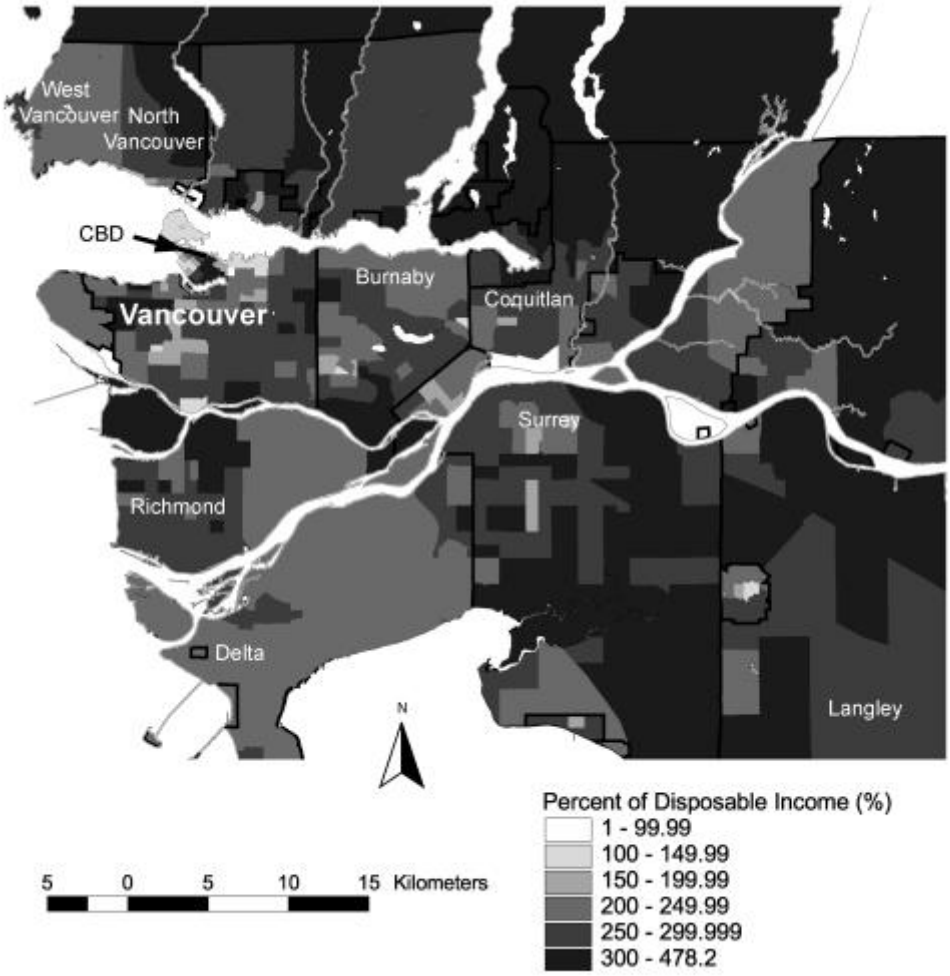
The case of increasing unaffordability stemming from financial de and re-regulation is similar in Italy, where restructuring of home finance policies has been tied to rising real estate values through the expansion of credit and increasing demand in housing markets (See Aalbers, 2012). In Italy, the Loan-to-Value cap was lifted, banks were allowed to grant mortgages (previously the realm of special credit institutions), and EU restructuring forced the Italian government to open up the mortgage market to foreign competition. An outcropping of these processes was a rapid rise credit availability for households, which in turn pushed up demand for homes as well as their value (Aalbers, 2012). The financialization of housing, with securitization and looser lending criteria at its centre, has also been shown to affect housing affordability in the UK (Wainwright, 2012). In short, the financialization of housing, driven by processes like securitization and financial deregulation, is associated with growing real estate values through helping to expand the credit supply and increase demand and competition in property markets.

2.3.1. Urban consequences of financialization

The financialization of housing in a neoliberal context has also contributed to urban vulnerability through contributing to increasing levels of household debt, itself tied to unaffordable housing. In the context of rising home prices, stagnating wages, and a retrenched welfare-state households have had to rely on forms of consumer credit such as credit cards in order to finance daily living (Barba and Pivetti, 2009), thereby pushing up household indebtedness. Moreover, rising home prices and relaxed mortgage refinancing criteria have spurred on the use of home equity to finance consumption which have led to a fast increase in the rate of indebtedness for households (see Bailliu et al. 2012 for the Canadian case).

Recent scholarship has begun to demonstrate the spatial consequences of financialization. Figure 5.1 is taken from research done by urban geographer Alan Walks (2013a) and demonstrates a pattern of household indebtedness in Metro Vancouver that is true for almost every metropolitan area in Canada. This pattern is that “aggregate levels of indebtedness are lowest in the pre-war inner cores, ... [and] are highest in the [outer] suburban municipalities” (Walks, 2013a: 170).

Figure 2-1. Debt to Income Ratios in Metro Vancouver, 2009



Source: Walks (2013a)

For Walks, “[f]inancialization and its articulation in the emerging urban debtscape has implications for the way cities of the North are developing in the recent period of late capitalism” (155). The financialization process and its associated developments of lower

interest rates, mortgage securitization, and looser lending criteria are helping to drive housing unaffordability, which in turn is contributing to the uneven social and spatial distribution of debt in Canadian metropolitan centres. Rising debt levels are leading to new inequalities and vulnerability, with debt being regressively distributed among poorer quintiles, younger, women-led, and immigrant households (Chawla, 2011; Hurst, 2011). In turn, these households are increasingly pushed toward the urban fringe in order to afford housing because costs are lower, thereby helping to spatially cluster more economically vulnerable households in these areas.

Contemporary urbanization that places homeownership and housing debt at its centre contrasts from the urbanization that existed in the 1960s and 70s. In those decades, large-scale development corporations constructed purpose built rental housing that was a major source of housing for various income levels (Pomeroy, 2010). Purpose-built rental over the course of the post-war period became a major component of urban housing stock and was an important aspect of how cities developed over the post-war period, with 40 percent of households renting by 1970 (Suttor, 2009). Tenants made up a higher proportion of the metropolitan cores during this period as well, with rental rates in 1981 as high as 78 percent in Montreal, 59 percent in Toronto, and 55 percent in Vancouver. Rental housing production peaked from the 1960s through 70s (Table 2-1), and federal housing programs contributed significantly to its growth as a form of tenure (discussed in section 4.2.3 below).

Table 2-1 Average number of rental starts completed, 5 year periods

Year	Average completions
1950-54	20,600
1955-59	39,100
1960-64	50,000
1965-69	88,200
1970-74	109,400
1975-79	97,800
1980-84	63,000
1985-89	37,800
1990-94	27,300
1995-99	8,400

Source: Adapted from Suttor, 2009: Table 4

In the 1980s and 90s rental tenure became less important to Canada's urbanization, in part due to changes in federal housing policy. The federal government stopped funding and subsidizing new private housing programs in 1984, and then new social housing programs in 1993 as a broader ideological shift toward homeownership for all income groups.

Increasingly throughout the 1980s, 90s, and 2000s condominium development became a more important aspect of urbanization, and housing policy restructuring helped increase mortgage credit that allowed lower-income and younger households access financing for condominiums, thereby supporting this shift. Condominiums grew from 2.1 percent of the total housing stock in 1981 to 18.7 percent in 2006. In Montreal, Toronto, and Vancouver the rise in condominium ownership was more pronounced, moving from 3.9 percent of the total stock in 1981 to 29.5 percent of the total stock in 2006 (Walks and Rosen, 2013). Walks and Rosen note that mortgage credit has come to replace industrial expansion as the main driver of urban growth in developed-nations and suggest that:

> One reason for the popularity of condominium units is that they can provide people with a more affordable route to homeownership, transforming the urban tenure structure, from a city predominantly characterized by renters to a mix of homeowners with varying levels of responsibility for maintaining collective areas. (2013)

In short, there has been a shift over the last 30 years in which metropolitan centres have moved from being characterized by a high degree of purpose built rental housing, to the increasing "condo-ism" of the contemporary urban debtscape. This newest form of urbanization is important because of its related ties to indebtedness and gentrification (Ute and Wieditz, 2009). As condos are developed, they frequently knock down old purpose built rental buildings and displace lower-income renters from existing neighbourhoods. Condominiums have also been tied to increasing property values, which help drive out renters from inner city neighoubourhods (Ibid).

The transformation toward this form of urbanization was complex, involving alterations to federal tax structures in the early 1970s that disincentivized the production of rental housing, the rise of condominiums as a legal innovation, and shifting demographic trends that reinforced alterations in Canada's urban fabric. While this shift

has been multifaceted and complex, the policy history provided in this project helps to explain the shifts in urbanization that have occurred in Canada over the last 30 years by showing how housing policy increasingly became geared toward the production of mortgage credit for younger and lower-income borrowers.

2.4. Policy Transformation – Connecting Ideas and Structures to the Neoliberalization and Financialization of Housing

The project seeks to bring the threads of neoliberalization and financialization of housing together through providing a detailed policy history of why and how affordable housing policy was incrementally transformed from the 1970s to the 2000s. The purpose of this policy history is to uncover some of the historical roots of an important part of the unaffordability and indebtedness picture in Canada's urban centres.

Throughout this policy history, I attempt to show how ideas and structures are interconnected in the policy transformation process. There has been a tendency in the policy formation literature to privilege and attribute salience either ideas or 'structural' issues (such as political-economic conditions and institutional arrangements) as the driving force in policy change (Liberman, 2002; Blyth, 1997; Beland, 2005). For instance, some orthodox Marxist thinkers suggest that ideas are determined by the underlying economic structure of society and that policy ideas only change when economic conditions allow them to ((Mijan, 2008). Other scholars have tended to focus on ideas as the driving force of policy formation and history more generally (Libermann, 2002; Smith, 1997). Throughout my policy history I seek to overcome this dualism by suggesting that policy transformation cannot be reduced solely to structures or ideology.

That is, ideas do not merely follow materiality, but are "prominent, important, and powerful, even determinative in shaping political behaviour and defining political rationality" (Liberman, 2002:700). There has been an increasing amount of attention paid to how ideas help shape policy, through confining range of policy options policymakers consider 'possible' and 'realistic' under established paradigms, the normative taken-for-granted assumptions, values, and attitudes policymakers bring to the policy making

process, and how policies are framed to make them politically acceptable (for a review, see Campbell, 2002; Also, Liberman, 2002; Blyth, 1997). In short, ideas are an important aspect of the policymaking process.

At the same time, it is not enough for just ideas to change for policy to change; economic and political conditions also have their role to play in prompting policy transformation. For instance, in the 1970s the turn to neoliberal political economy was in reaction to structural problems in the capitalist economy through the breakdown of the Bretton Woods system, stagflation, rising public deficits, declining profit rates (R.Brenner, 2002; McNally, 2009). Neoliberal ideas were able to emerge from the crisis conditions of the 1970s, as Keynesian policies and ideas failed to respond to the economic woes of the decade (Peck and Tickell, 2002; Harvey, 2005). Structures can be equally important in policy transformation.

In accounting for the transformation of affordable housing policy in Canada, I seek to demonstrate that there is a fluid relationship between both ideology and structures. The relative importance of each factor underpinning the restructuring process increased and decreased in each decade, and I seek to demonstrate how they waxed and waned throughout the restructuring process. In doing so, I seek to develop a nuanced understanding of how and why affordable housing policy was restructured.

Chapter 3.

Methodology

In this chapter I will describe the methodology that I adopted for the project. I examined the restructuring of housing policy and the CMHC through an exhaustive review and analysis of all federal legislative debates and committee reports dealing with the National Housing Act and CMHC Act from 1973 to 2008. The National Housing Act and CMHC Act are the primary pieces of legislation pertaining to housing policy in Canada. By reviewing changes to these pieces of legislation, I was able to show how federal policymakers were framing restructuring ideologically and rhetorically, as well show the actual changes to policy that legislative amendments were creating.

In order to understand the method I adopted for the project, it is first important to briefly outline the legislative process in Canada. Legislation in Canada must go through three separate readings in both the House of Commons and Senate before it receives Royal Assent and becomes an Act of the law. Either members of government, private members of any party, or members of the Senate first propose legislation as a Bill. Once a Bill is proposed it is read in the House of Commons or Senate and is voted on and, should it be passed, goes to its second reading where it is debated. All of these debates are recorded verbatim in Hansard, the official public record of parliamentary debates. Once a bill has passed its second reading, it goes to committee to where it is reviewed, parsed over, and discussed in more detail. After passing committee, the Bill is read for a third time and then referred to the Senate, where the same stages are repeated.

The major source of data for my project was found in the federal Hansard as well as committee hearings. Until December of 2013 when *all* federal debates were published online, Hansard research for dates before 1993 had to be done by examining its print version. Given that much of the research was conducted in the Fall of 2013, for legislation dating from 1973 to 1993 I examined the print versions of all federal debates and committee reports relating to the National Housing Act and CMHC Act. Using the indices of each parliamentary sitting, I searched the words “housing”, “National Housing Act”, “Canada Mortgage and Housing Corporation”, and “mortgages” in order to find relevant

debates and legislation pertaining to the National Housing Act and CMHC Act. After identifying a piece of legislation I photocopied all the House and Senate debates relevant to it, as well as all relevant committee materials.

All federal debates and committee reports were published online for legislation passed after 1993. I followed the same procedures for online research as I did for print research, except instead of photocopying relevant debates and committee hearings, I printed these versions. After going through the federal Hansard I developed an exhaustive list of Bills amending the National Housing Act and CMHC Act, the House and Senate debates related to these amendments, and the House and Senate committee hearings on each aspect of legislation.

Once I had all of the material collected I reviewed the documentation in numerous times in order to construct a narrative of what was occurring in housing policy. Through reviewing the documents, my goal was to show how policymakers were framing legislation ideologically and rhetorically, as well show the actual changes to policy that legislative amendments were creating. I also examined the documents for themes and patterns of language that were used to frame legislation that were drawn from the existing literature on housing policy, neoliberalization, and financialization. Examples of the words, sentences, and patterns that I examined are displayed below in table 3-1. Through examining how policymakers were framing legislation, I could draw connections to neoliberal and financialized rhetoric.

Table 3-1. Themes identified in Hansard research

Canada Mortgage Bonds	Mortgage Insurance
Costs, federal expenditures	Mortgage Securitization
Competition	NHA MBS
Creativity	Partnerships
Efficiency	Social Housing
Finance, financial innovation	Social Right
Homeownership	

I used the Parliamentary records online search function in order to quantitatively determine the frequency of words used in the federal debates. All federal debates were

made available online in December of 2013, which opened up the possibility of searching how many times particular sets of words were uttered in the entirety of federal debates (rather than just related to specific pieces of legislation). Further, the search function allows users to search by ranges of years, allowing me to search what was said by decade. Once all of the records for the searches were returned, I reviewed each record and examined the particular context with which they were being discussed.

In addition to examining all debates and committee reports related to National Housing Act and CMHC Act legislation, I analyzed secondary literature to help inform the changes that were taking place in housing policy. These pieces of secondary literature included peer-reviewed academic articles, CMHC annual reports, newspaper articles, government budget speeches, and publications by the government of Canada. My goal from this document analysis was to help triangulate the findings in the federal Hansard research, as well as fill in gaps where the legislation was not clear.

I also used various sets of statistical data to substantiate shifts that occurred in housing policy. These datasets are all publically available through the CANSIM database, Statistics Canada census website, the CMHC's website, and CMHC annual reports. All of the statistical analysis was performed by the author or taken from Walks and Clifford (forthcoming). Further, I summarize housing programs and policy changes through the use of tables, given that I did not want to overwhelm the reader with an excessive amount of detail.

Chapter 4.

The Neoliberalization and Financialization of Affordable Housing Policy, 1970-2008

4.1. Introduction

In this chapter I will answer how and why the federal government contributed to the financialization of affordable housing policy. Throughout the chapter I develop two overarching arguments. The first argument is that in order to develop a complete picture of the neoliberalization of Canadian housing policy, there must be an understanding of both the discrediting and dismantling of Keynesian housing programs, *as well as* the construction and creation of new neoliberal approaches to affordable housing provision. The chapter helps fill a gap in the existing Canadian housing policy literature, through examining the 'roll-out' of neoliberal forms affordable housing provision. The second argument flows from the first, and asserts that it is important to understand this transformation because it helps illuminate declining affordability and growing indebtedness in Canada's urban centres over the 2000s, as well as was one key component of the financialization of the domestic economy over the period.

Table 4-1 below provides an outline of the narrative I followed throughout the chapter. The table shows the transformation of federal affordable housing policy and the factors that undergirded this shift. On the top row of the table, the analysis is broken up into decades, beginning in the 1970s and ending in the 2000s. I chose to break up the analysis in this way because I wanted to demonstrate how neoliberalization incrementally *deepened* in each decade after the 1980s. I use the 1970s as a 'baseline' decade to measure the transformation of housing policy because in that decade housing policy was more thoroughly informed by social democratic and Keynesian-welfarist principles than it was in previous or following decades. I seek to demonstrate that the restructuring of housing policy cannot be solely reduced to either ideology or political and economic structures, but that rather both played important roles in the restructuring of the CMHC and housing policy more generally at different times. That is, while in each decade both

factors undergirded restructuring, the *relative* importance of each factor changed from decade to decade.

Table 4-1. Periodization of Canadian Housing Policy 1970-2010

	1971-80	1981-1990	1991-2000	2001-2008
Ideology	-Keynesian/Embedded liberalism	Neoliberal onset and roll-back: destroying and discrediting Keynesianism/Embedded liberalism (Peck and Tickell, 2002)	-Neoliberal roll-out: construction and consolidation of market-based/financial approaches for affordable housing (Peck and Tickell, 2002)	-Deepening of neoliberalism through financialization: Policy makers stuck within a paradigm that views market-based/financial approaches to housing as only option
Structures	-Prosperity and stagflation -embedded liberalism -Crisis	-Early 80s recession and recovery -Growing public debt -Globalization -Rise of service-based and financial 'new' economy -Market-based restructuring in an international context (Thatcherism, Reaganism)	-Early 1990s recession -More aggressive deficit reduction -Continued restructuring: globalization, NAFTA, new international financial regimes -'third way' approaches to social policy	-Growth of asset-backed securitization (particularly mortgage-backed securitization) -Continued financial deregulation/growth of financial markets -Global Financial Crisis
Housing Policy	-Subsidy-based public and non-profit housing programs -Subsidy-based homeownership plans (AHOP) -subsidy-based programs to increase private rental supply (ARP) -These policies aimed at low and moderate-income households -Housing treated as a political and social good, not economic good	-Slowing the growth of subsidies for social housing and cancellation of other subsidy-based supply programs -Financial/market-based schemes arise in order to build up the secondary mortgage market, lessen direct subsidies for social housing, and promote access to mortgage credit (i.e. NHA MBS) (Bill C-37) -Extension of mortgage insurance on more products (Bill C-111)	-Capping of social housing subsides at $2b a year -Devolution of social housing responsibility to the provinces -Increased use of financial strategies to promote mortgage credit/achieve affordable housing objectives -Increased use of mortgage insurance (i.e. First home buyers' plan) -Emphasis on competition in the mortgage insurance market to provide low-income households with mortgage credit -Commercialization of the CMHC (Bill C-66)	-Discussions of national housing policy stalled, limited new funding -Financial strategies to promote access to mortgage credit are aggressively pursued by the CMHC and financial sector -Canada Mortgage Bonds program -Introduction new private competitors into the mortgage insurance market -Introduction of mortgage insurance on more 'exotic' products aimed at low-income households -Housing treated solely as an economic good
Rhetoric	-Housing framed as a social right. All citizens should have access to affordable, decent and safe housing and the state should help directly provide this.	-Emphasis on deficit reduction, 'efficiency' -Questioning housing as a social right -Housing subsidies viewed as out of hand -Discussion of how private sector can help deliver social policy	-Policy makers have to get their 'financial house in order' -Financial innovation and competition can provide affordable housing through ownership -Access to decent, safe, and affordable housing through market/financial channels, not through the state -Partnerships	-Making mortgage financing more affordable for households is celebrated -Euphoria over the power of markets to deliver housing
CMHC's Mission	-Emphasis on social housing operations	-Questioning of CMHC's role in relation to housing -Recognition by end of the decade the CMHC will need to be restructured because subsidies are too expensive	-Bill C-82 and C-66 increase CMHC's capacity to operate like a competitive, private insurance company -Financial operations relied on to provide social objectives	-Emphasis on insurance and securitization activities to promote affordable housing rather than on social housing operations

I contend that in the 1980s and 90s, economic and political structures were the main factor prompting restructuring. Neoliberal ideas became more prominent during this period, but structural issues dominated the restructuring process. As the prosperity of the post-war era slowed, policymakers became increasingly concerned with Canada's net debt-to-GDP ratio which had been growing rapidly from the 1980s, increasing from 12.5 percent in 1970-79, to 39 percent from 1980-1989, to 60.8 percent by 1993 (Macklem, Tetlow, and Rose, 1994). As debt increased relative to productive capacity, servicing the debt became extremely expensive and was threatening business confidence, and policymakers increasingly sought to cut back social programs in order to get the federal debt under control. Moreover, policymakers felt pressure to adapt to the new neoliberal economic order by adopting a range of measures that were perceived to boost economic competitiveness such as inflation targeting, controlling public spending, and new international trade regimes.

By the 2000s, the interplay between structural and ideological factors had flipped and ideology dominated the restructuring process. By 2001 the federal government had returned to a surplus position and was in a position to increase spending on housing programs. However policymakers were entirely committed to the idea that market competition and financial innovation were the best method of providing housing for lower-income groups. This ideological faith led the federal government to continue to deregulate the Canadian mortgage market, through opening it up to private mortgage insurers and loosening mortgage lending regulations. Federal policymakers believed that such measure would extend the benefit of mortgage product innovation to 'underserved' sections of the market and boost homeownership rates. There was a dynamic interplay between ideology and structures throughout the neoliberalization and financialization of housing policy and I attempt to show how these two factors waxed and waned between decades.

Housing policy restructuring and the CMHC's mission mirrored these developments in each decade. The pressure to reduce the federal deficit in the 1980s and 90s prompted policymakers to cut-back and restructure expensive Keynesian programs, as well as develop methods of providing affordable housing that emphasized competition in the mortgage insurance market, mortgage securitization, and mortgage product

innovation that could provide affordable housing without subsidies. In addition, policymakers sought to restructure the CMHC in order for it to pay down the federal deficit. By the late 1990s and 2000s the ideological belief that financial innovation and market competition could provide affordable housing to lower-income groups brought policymakers to commercialize the mortgage insurance operations of the CMHC.

Given the centrality of the CMHC to the narrative, a few notes should be made about the history of its mortgage insurance functions so as to help frame the changes to the corporation over the course of restructuring. The CMHC was created in 1946 and soon became the federal government's main tool in post-war housing policy (Bacher, 1993; Wolfe, 1998). In 1954, the federal government created a system of mortgage insurance through the CMHC as a method to incentivize banks to lend high-ratio mortgage loans[7] to moderate-income households. NHA insurance provides a guarantee to the bank (or financial institution originating the mortgage) that the CMHC will pay any costs associated with the mortgage in the event of borrower default. The insurance is purchased by the financial institution from the CMHC (or a private mortgage insurer), with the cost of the insurance being passed on to the borrower. Premiums and fees as well as claims are handled through the CMHC's Mortgage Insurance Fund (MIF). The original program was set up on a break-even basis that was aimed at fulfilling the postwar public policy objective of increasing ownership rates for moderate income households. As noted above, in the late 1990s, the CMHC and its mortgage insurance operations were restructured to be run on a commercial (for-profit) basis, which turned the CMHC into a quasi-private financial institution. Commercialization of the CMHC was a key moment in the neoliberalization of housing policy, and is discussed extensively in the 1990s section below.

The commercialization of the CMHC allowed for it to develop new mortgage insurance and securitization programs that helped to significantly expanded mortgage credit over the 2000s. Commercialization was a very important aspect of declining affordability and indebtedness in Canada's urban centres over the 2000s, given that its role in expanding access to mortgage credit helped create more demand and competition

[7] High ratio mortgages up until 2007 were considered those with less than a 25 percent down payment. In 2007, alterations to the Bank Act changed high-ratio mortgages to be anything with less than a 20 percent down payment.

in housing markets which in turn helped bid up home prices. The restructuring of the CMHC was also an important aspect of financialization of the Canadian economy, through helping to expand the role of the finance, insurance and real estate sector as well as mortgage debt in relation to the national GDP. After this new affordable housing approach was consolidated in the late 1990s, financial innovation coupled with lower interest rates over the 2000s directed flows of investment into urban housing markets through a massive growth of mortgage credit, which in turn helped bid up demand for homes and (subsequently) prices in various urban markets.

4.2. The Keynesian 70s - The Development and Growth of Low-income Housing Policy

In the 1970s, the federal government significantly increased its efforts to provide affordable housing for low-income groups. While amendments to the National Housing Act in 1964 helped facilitate the growth of low-income public housing, it was not until the 1970s that low-income housing policy took off. The low-income housing programs that were developed over the course of the 1970s were underpinned by a significantly different ideology, philosophy, and structural conditions than those that informed the neoliberal period. This section will outline the ideological and structural conditions that informed these policies and programs as well as their impact on low-income households, so as to frame the dramatic shift in affordable housing provision that occurred after 1980.

4.2.1. Structures

The structural conditions that existed in the post-war period were a major factor prompting the development of low-income housing policies and programs over the 1970s. In addition to global economic cooperation between capitalist states that promoted stability and growth through fixed exchange rates and capital controls, a main feature of Keynesian political economy was for governments to enhance the provision of welfare programs and ensure full employment in order to lessen the inequalities associated with *laissez-faire* (Lewis, 2003; Harvey, 2005; Crouch, 2009). Like other high-income nations in this period Canada adopted Keynesian economic management and witnessed sustained prosperity through more robust welfare programs (Medicare, unemployment insurance, and the

Canadian Pension Plan), rising real wages, high population growth, and strong business investment and profits (Lewis, 2003). For postwar policymakers Keynesian economic management was working well and creating prosperity, which in turn reinforced and legitimized the interventionist and redistributive ideology of the period.

4.2.2. **Ideology**

The philosophy and ideology underpinning the development of low-income housing policy was that housing was a *social right* in which the government had a direct role to ensure that all income groups could access safe, secure, and affordable housing regardless of one's capacity to afford it on the private market (Dennis and Fish, 1972; CCSD, 1977). This philosophy was best encapsulated by Ron Basford, the minister responsible for housing, when he introduced major amendments to the NHA (Bill C-133) in 1973 that created a variety of low-income programs:

> When we talk … about the subject of housing … society and the government *obviously* have an obligation to assure that these basic needs of shelter are met.
>
> [G]ood housing at a reasonable cost is a *social right* of every citizen in this country … the measures presented in this bill are designed …[for] those people whose need is most urgent – the old, the poor, and those people who for one reason or another do not have access to the resources which this country can provide.
>
> … Man is a social animal and we must look beyond his house to the community of which he is part. The community, as well as the house, must be safe and healthy, and must allow and encourage man and his family to achieve the fullest possible growth and development, physically, emotionally, and spiritually. (Basford Hansard March 15, 1973: 2257; emphasis added)

For policymakers in the Keynesian period, it was *obvious* that the government had a responsibility to provide housing for the most vulnerable in society and that leaving such households to the market was not an acceptable policy. Rather than housing being thought of as a mere economic commodity, it was framed in terms of being a necessary cornerstone of social development required for families and individuals to have healthy and fulfilling lives. More than any previous government, the Liberal government of the time saw housing as a social good first and an as an economic good second. The Liberals

naturalized and internalized the idea of housing as a social right, and held onto this notion consistently throughout the 1970s. For instance, the Minister responsible for housing, Andre Oueilet, explicitly reaffirmed this ideological stance when he noted in 1979:

> [i]t is *obvious* that we must build each year a greater number of units for old and low income people … as we now meet the needs of most Canadians as far as housing is concerned it becomes increasingly urgent to direct our efforts and resources toward the minority of Canadians who cannot provide for their own and who do not find help in the existing programs (Oueilet, February 21, 1979:3467. Emphasis added).

Throughout the 1970s then, the ideological position of policymakers was that the federal government had a major role in producing and distributing housing to low-income groups in order to ensure equity in the housing system.

4.2.3. **Housing Policy**

Initiated under these ideological and structural conditions, the amendments to the NHA in 1973 and subsequent policy development established a raft of subsidy-based housing programs that promoted and developed housing for low- and moderate-income households. Annual subsidies for low-income housing stood at roughly $2 million in 1967, and by 1978 stood at $300 million for that year (Smith, 1981). Table 4-2 outlines the main programs developed over this period and describes their significance.

Table 4-2 Low-income and Subsidy based Housing programs 1973-2000

Program	Years in Operation	Significance
Co-operative Housing Program	1973-1992	-Over three iterations of the program, helped build 64,000 units of low- and moderate-income housing until its cancellation in 1992. See Colderley, 1998 for more detail.
Non-profit Housing Program	1973-1993	-Over 3 iterations of the program, helped build 230,000 units of low- and moderate-income housing until its cancelation in 1993. See Colderley, 1998 for more detail.
Residential Rehabilitation Program	1973-1992, 1997-2000	-Helped renovate and rehabilitate over 650,000 units and beds over the course of its lifetime.
Assisted Rental Program (ARP), Multiple Unit Rent Building scheme (MURB)	1975-1978 (ARP), 1976-1979, 1981 (MURB)	-Responsible for 56 percent of all rental housing constructed over the lifetime of the programs (roughly 356,000 units). See Crook, 1998 for more detail.
Assisted Homeownership Program	1973-1978	-provided direct grants to low- and moderate-income households to expand homeownership opportunities -Once interest rates rose in the early 1980s, mortgage insurance claims by the CMHC rose substantially. See Smith, 1981.

The CMHC was crucially important for the development of these programs, and its role in housing system was significantly changed over the course of the decade. That is prior to the 1970s the corporation acted primarily as a government financial intermediary and mortgage insurance agency with little focus on low-income housing assistance. In the 70s this role was revised and its housing assistance activities expanded dramatically, swamping its financial and insurance functions (Smith, 1981). A main feature of housing policy restructuring after the 1980s was for policy to direct the CMHC's role away from administering and delivering subsidy-based low-income programs while turning it into a semi-private financial institution responsible for setting housing finance policy and promoting debt-based homeownership for low-income groups.

Over the course of the 1970s, housing policy supported both private and social rental housing. The Assisted Rental Program (ARP) and Multiple Unit Rent Building scheme (MURB) were adopted to increase the production of rental housing given that incentives to invest in purpose built rental housing declined over the 1970s (Smith, 1981). For instance, construction costs rose, the tax system was changed in the early 1970s which limited rental housing investments as a tax shelter, and condominium tenure started to become more popular making investments in rental housing less profitable than they were previously (Ibid; Crook, 1998). The ARP provided tax-free grants to lower rents to what tenants could afford, and the MURB provided tax incentives to invest in rental housing. The programs were tremendously successful in boosting private rental housing supply, with 57 percent of the private market rental starts over 1975 to 1979 supported by these government programs (Crook, 1998). These programs were helpful in providing housing for low- and moderate income household and "helped the poor because it raised overall supply, since nearly 60 percent of the ARP dwellings would not have been built without ARP assistance" (Crook, 1998).

Some of the most important programs initiated under the 1973 amendments related to non-profit and co-operative social housing. Under these amendments the CMHC was permitted to make mortgage loans worth 100 percent of projects to the non-profit and cooperative sectors and gave these groups upfront capital grants in order to facilitate building (CCSD, 1977).[8] Federally assisted social housing starts for low-income families jumped from 4.4 percent of all starts in 1946-69 to 15.7 percent in 1970-75 and 19.3 percent in 1975 (Smith, 1981).These third sector developers created dweller-controlled housing that mixed different income groups and until 1993 an average of 20,000 units of non-market housing were built annually (Bacher, 1993; Hulchanski 2002; Hackworth, 2008). The importance of these programs for low-income families and individuals cannot be understated.

A majority of households who live in the social housing projects that were initiated from the 1970s to the 90s feel more security in their tenure, have an increased sense of control over their lives, lower housing costs, and better quality housing over the

[8] Alterations to the program in 1978 made the non-profit group arrange financing with a bank, with the CMHC providing insurance on the loan.

arrangements they had in low-income private rentals (Condon et al., 2010). There are also a range of non-housing impacts associated with these projects, such as increased physical and mental health, reduction in stress, an increased sense of belonging, better school performance for children, more privacy, less noise, and more social connections with neighbours (Ibid, Colderley, 1999). These results help demonstrate how important social housing programs remain to low-income individuals and families.

With this support from the federal government over the 1970s, Canada surpassed its American and European peers in the production of good quality and affordable rental housing units, producing a yearly average of 109,000 social and private units between 1970 and ‘74 which subsequently shrank to only 8,400 units in 1995-1999 (Crook, 1998). In 1970-71 a full 40 percent of households rented in Canada, a proportion which declined to 36 percent in 1990-1991, and then more significantly in 2006 to 31.2 percent (Suttor, 2008). As such, during the 1970s rental tenure (both private and social) was a viable and affordable option for many households in Canada. Due in part to the ideological understanding that housing was a social right regardless of social and economic standing, the federal government explicitly supported social and private rental housing during the 1970s. What is more is that the government supported a comprehensive approach to housing through funding different tenureship options rather than narrowly focusing on homeownership for all households, as has been characteristic of the neoliberal period.

As the 1970s progressed, stagflation that was initiated after the 1973 oil shocks became an increasing structural problem as both unemployment and inflation rose together, throwing Keynesian economic theory, ideology, and policy into crisis (R.Brenner, 2002; McNally, 2009). After the 1970s, the message increasingly coming from politicians was that Keynesian regulation, government intervention, and spending programs were failing, and that neoliberal ideology posed the solution to macroeconomic problems in general and housing problems in particular (c.f. Smith, 1977).

4.3. The 1980s The Onset of Neoliberalization - Discrediting and Destroying Keynesianism

In the 1980s, neoliberalization began to set in and the federal government began to dramatically alter how it provided low- and moderate-income housing. The Progressive Conservatives, who were elected in 1984, began the process of gradually dismantling, discrediting and restructuring Keynesian housing programs and in their place constructed new market-based approaches for affordable housing that relied on the insurance operations of the CMHC. This section will outline the structural, ideological, and philosophical factors underpinning this restructuring, and how low-income housing policy began to be altered dramatically.

4.3.1. Structures

The structural conditions facing policymakers throughout the decade were a main factor underlying the restructuring of low-income housing policy, as the prosperity characterizing the postwar era slowed. Stagflation continued throughout the beginning of the 1980s and policymakers struggled to manage double digit inflation and high unemployment (Lewis, 2003). In addition, the economy was experiencing a general slowdown as labour productivity, business investment, and profits declined significantly (Lewis, 2003; Peck and Tickell, 2002; Brenner 2002; McNally 2009). The early 1980s recession and chronically high interest rates throughout the first half of the decade also crippled economic growth. In the conditions of economic slowdown, policymakers saw housing subsidies as too expensive to maintain and housing programs were increasingly targeted for restraint and restructured to fit with new deficit targets.

The extent to which deficits were impacting housing policy was well encapsulated by Bill McKnight, the Minister responsible for housing from 1984 to 1986 under the newly elected Progressive Conservative party:

> The housing programs now in place have succeeded in adding considerably to the stock of housing available to Canadians in almost all income groups. At the same time, many of these programs have become enormously expensive. … [there is a] requirement that programs reach our objectives in a cost efficient manner (McKnight, December 12, 1985: 9432)

As McKnight's statement shows, the government still believed that Keynesian housing programs were successful in helping low- and moderate-income households access adequate housing, but they were becoming too expensive and needed to be cut back and restructured in order to become more cost efficient. Controlling deficits meant that the provinces would have to take on a greater financial responsibility for housing, as was demonstrated by the Parliamentary Secretary to the Minister of housing:

> [T]he federal Government has assumed on a national basis an increasingly larger share of social housing expenditures … Provinces must recognize their responsibility to act in partnership with the federal Government. This means that they must contribute their fair share to the costs of housing programs (Hansard October 29, 1985, Price: 8151)

At the same time the need to control deficits spurred innovation in housing policy, as the government constructed new programs that could achieve affordable housing objectives without direct government expenditures. For instance, speaking to amendments to the NHA in 1984 that created a 'timely payment guarantee' for a system of mortgage-backed securities (discussed below) Liberal Senator Royce Frith noted that the program "would be financed by premiums on a self-sustaining basis and …would not involve any public subsidies" (Hansard June 25, 1984: 784). As will be discussed in more detail below, the mortgage-backed securities program was a method of creating affordable housing without direct government expenditures. Similarly, speaking to Bill C-111, which increased the role of the CMHC's mortgage insurance operations in relation to housing policy (also discussed below) Senator Eileen Rossiter noted that the amendments would "improve access to homeownership to many more Canadians, without involving any direct government expenditures." (Rossiter, Senate Debates July 7, 1988: 3891). The need to control deficits was the dominant factor driving the transformation of housing policy in the 1980s.

4.3.2. **Ideology**

As these structural conditions developed, the philosophy and ideology underpinning housing programs also began to change. With rising government debt and deficits, policymakers became ideologically disillusioned with Keynesian housing policies. The Progressive Conservatives sought to discredit these policies by suggesting that in

addition to becoming too expensive, they were not effective enough at targeting subsidies toward low-income households. A new emphasis began to emerge on spending federal dollars efficiently, while using the CMHC to support the private market to deliver affordable housing.

Discrediting Keynesian housing policy was well put by the federal housing minister Alan Redway (1989-1991) when suggested that in the early 1980s "[t]wo out of three households receiving federal assistance could afford housing on the private market" (Redway, 1990: 12384), suggesting that these Keynesian programs were largely benefitting households with higher incomes. Similarly, Bill McKnight contradicted himself about the success of Keynesian programs when he stated that they "have had an unacceptably modest success in helping those lower income Canadians who must look to Government for affordable housing" (Hansard, December 12, 1985: 9432). In short, ideological opponents were asserting that in addition to becoming too expensive, the housing programs of the 1970s were not achieving their aim of providing affordable housing for lower-income groups.

Evidence demonstrates that this viewpoint of federal housing policy was at least partially ideological. For instance, a review of social housing programs in 1981 by the CMHC found that 79 percent of occupants in all social housing fell in the bottom two quintiles of the income scale (Colderly, 1999 calculated from table 4), thereby supporting the very poorest households in society. Despite this fact, the federal government began to emphasize spending housing money more 'efficiently' in order to specifically target low-income households. MP Joseph Price noted in 1985 that: [there is] a pressing need to get [housing] expenditures under control and to ensure that limited funds [are] expended efficiently and effectively" (Price 8151). Federal dollars were short and needed to be spent only on low-income households.

Policymakers also discredited Keynesian programs by suggesting that subsidy-based housing policies interfered with the efficient operation of the private market. This line of thinking was well encapsulated by Lawrence Smith, a prominent academic economist at the University of Toronto and member of a task force that reviewed the CMHC's mortgage insurance operations in 1979:

> During [the seventies], rent control, tax changes, and direct government intervention in competition with the private sector have virtually destroyed the private new residential-rental market; large-scale government aid and capital financing for low- and moderate-income housing have … left the federal government with a large on-going and on-growing financial deficits (Smith, 1981: 351)

> Most of these policy changes are the result of a substantial philosophical shift with respect to housing and not the result of a market failure. … Unless governments soon recognize the implications of their policies and move to reverse the destruction of the private sector … Canadian housing standards will markedly decline and public cost of housing programmes will rise substantially (Smith, 1977: 37).

The message increasingly coming from policymakers over the 1980s was that direct government intervention in housing markets, while well-intentioned, led to severe distortions of an otherwise efficient free market and also led to rising public deficits. From this perspective, the private market was well suited to provide the vast majority of housing for individuals and families. Bill McKnight was clear on his faith in the private market when he noted explicitly: "[t]he private market, if permitted, can provide most Canadians with comfortable, quality housing" (Hansard, December 12, 1985: 9434). Similarly, Alan Redway noted that Progressive Conservative policy was to "support rather than interfere with the effective functioning of the private housing markets (sic)" (Redway, 1990: 12384).

With the election of the Progressive Conservatives (PCs) in 1984, the party's ideology began to drift away from the philosophy that informed the Keynesian programs of the 1970s. In that decade, Liberal policymakers thought it "obvious" that the government had a direct role in providing housing for low- and moderate-income households. In the 1980s this role was questioned by an ascendant group of policymakers, who believed that these programs were too expensive and not effective enough at targeting assistance to those most in need. Instead, they claimed that the private market was able to provide housing for a majority of households, with the government role being to assist the private market to deliver housing.

It is no surprise that in this context housing as a social right was gradually phased out from mainstream political conversation by the Liberals and Progressive Conservatives. References to housing as a social right by the Liberal and Progressive Conservatives in

Parliament declined from 27 mentions in the 1970s to only 5 mentions the 1980s (Hansard, calculated by author).

It is important to note that while Keynesian ideas informing housing policy were withering away, they did not completely die out in this period. Policymakers in the 1980s still saw a role for the federal government in directly providing housing, albeit in a more constrained sense. This notion of responsibility was well encapsulated by Bill McKnight in 1985:

> all levels of Government must be prepared to work together and join their resources to assist those Canadians who do not have the income to secure [private market] housing (9434).

McKnight saw a need for the Provinces to take on a greater responsibility for housing expenditures, but at the same time saw a role for the federal government in providing housing. Even Progressive Conservative MP Frank Oberle continued to see housing as a social right, as he stated in 1984:

> [H]ousing in a modern civilized industrial society like ours is a social right … Like clothing and food, housing is essential … [p]eople need to have shelters (sic), therefore it is a social right (Hansard, May 30, 1984:4212).

As such, neoliberalization had not completely grasped ideology or policy over the course of the 1980s, and remnants of Keynesianism remained. This is also shown by the fact that expenditures on new social housing rose (albeit more slowly from the 1970s) from $1.4 billion in 1986 to $1.8 billion in 1990. However, policy was tilting toward market-based approaches to affordable housing.

4.3.3. Housing Policy - the onset of neoliberalization

In this ideological and structural context, housing policy from the mid-1980s on was characterized by two distinct policy thrusts. On the one hand, the federal government sought to disentangle itself from the direct construction, management and administration of social housing programs. Keynesian programs henceforth were cut back and restructured so that the provinces would play a greater role in funding and administering projects. Along the same lines, the federal government extricated itself from directly

providing social housing through developing a system of rent supplements that required less direct government involvement in low-income housing (Corderly 1999; Carroll and Jones, 2000).

The second policy thrust was characterized by the federal government creating policies and programs that could deliver affordable housing (primarily in the form of homeownership) that did not rely on direct government subsidies or administration of projects. Policymakers began to develop programs that used the CMHC's mortgage insurance operations to ensure that lower income borrowers could access mortgage finance.

These shifts in housing policy were more fully borne out after the election of the Progressive Conservatives (PCs) in 1984. The PCs were elected on a platform of deficit reduction and 'renewing' the Canadian economy to conform to emerging global conditions (Corderly, 1999). Immediately after being elected, the PCs initiated a review social housing and mortgage insurance programs in consultation with the housing, building, and financial sectors (CMHC, 1986). With this consultative review, the federal government began the process of extricating itself from social housing provision while creating programs that relied on mortgage insurance to provide affordable housing.

Given that the changes in social housing policy stemming out of the consultative review process have been documented extensively elsewhere (see Bourne 1986; Hulchanski, 1993, 2002; Vakili-Zad, 1997; Crook, 1998; Corderoy, 1999; Wolfe, 1999; Caroll and Jones, 2000; Dalton, 2009), these policies will only be touched on here. The general thrust of this neoliberal 'roll-back' was to cut programs (rental assistance in 1984, public housing in 1987), restructure programs (the new co-operative and non-profit programs of 1986, the new rent supplement program), and devolve responsibility onto the provinces (ensuring programs were cost-shared between the federal and provincial governments). In doing so, the federal government sought to disentangle itself from the direct production, administration and subsidization of housing programs (Caroll and Jones, 2000; Dalton, 2009).

While the cutting-back and restructuring of social housing programs has been thoroughly examined in the Canadian housing policy literature, the construction and

creation of new methods of delivering affordable housing for low- and moderate-income households through the CMHC's mortgage insurance operations is an under analyzed aspect of this literature.

The new strategy of providing affordable housing through mortgage insurance began to be implemented after the consultative review, which emphasized the CMHC's mortgage insurance operations as a method of meeting the housing needs of low- and moderate-income households without providing direct subsidies (CMHC, 1986). Stemming out of this consultation, policymakers focused their efforts on extending the CMHC's mortgage insurance operations in order to provide homeownership and fund social housing. This renewed emphasis on homeownership was neatly encapsulated by Progressive Conservative MPs. For instance, in 1984 MP Roch La Salle noted that "we are very anxious to find ways to help more Canadians become homeowners. Home ownership is a concept that we value highly." (Hansard, May 29, 1984: 4137) Another MP, Joe Price, was also direct about the emphasis on homeownership: "[i]n the consultations it was generally felt that the federal Government could take steps to help Canadians achieve the security they desire through home ownership" (Price, Hansard: 8151).

The trend of promoting homeownership for lower-income groups through CMHC mortgage insurance operations was also shown through policy initiatives and legislative changes to the NHA, which crucially, introduced mortgage securitization as a policy in 1987. The National Housing Act's Mortgage-backed Securities (NHA MBS) program was reflective of the new affordable housing strategy. Under the NHA MBS program, approved banks were allowed to package their NHA insured mortgages into pools and then issue securities (shares) based on these loan pools for sale to investors on financial markets. Through packaging and selling these securities, banks could immediately access cash locked up in long-term mortgage loans through selling them. They could then use this money to lend out more mortgages, thereby helping to bolster the homeownership rate. Under the program, the federal government also provided a 'timely payment guarantee'. With this guarantee, payments of principle and interest flowing into mortgage pools were guaranteed to be passed on to MBS investors in a timely manner by the CMHC, regardless of borrower or lender default. The securities issued under the terms of the program gave the CMHC a new insurance role by guaranteeing the payment of principle and interest

flowing into the mortgage pools, thereby emphasizing its financial role in housing provision.

The NHA MBS program was “one of the most important initiatives in Canadian housing finance since the introduction of public mortgage insurance”, (CMHC, 1987: 26), given that it was the first program of its kind and a major new innovation in the Canadian mortgage market. The program was modelled on the US public-label securitization program of US Government Sponsored Enterprises Fannie Mae and Freddie Mac, and policymakers saw mortgage securitization in Canada as an avenue to allow banks to lend more mortgage funds, increase rates of homeownership, and stabilize the mortgage finance system without needing direct government subsidies (O'Brien, 1988). Further, amendments to the program in 1988 provided a non-subsidy based method of funding social housing, through allowing exclusive social housing loan pools (CMHC, 1988). Policymakers celebrated the NHA MBS program as a novel solution to provide affordable housing:

> [NHA MBS] are equally valuable in helping those in greatest need, while contributing to reducing the deficit. Already $65 million of mortgage-backed securities are being used to help finance government funding social housing in British Columbia … it is expected that other provinces will follow British Columbia into this field. Over time, substantial savings of tax dollars may be realized throughout the country. (Senate Hansard, July 7, 1988: 3982)

Federal policymakers saw the program as a method to promote affordable housing without adding to the federal deficit. Moreover, the program was significant because it committed the CMHC to promoting homeownership through mortgage insurance and guarantees functions, rather directly providing housing. While this policy’s importance to Canada’s housing market in the 1980s should not be overemphasized, the development of the NHA MBS program was symbolic of the larger market-based shifts occurring at the time in housing policy. Government-backed mortgage securitization was one mechanism to build larger and more sophisticated financial markets based around housing that could help extend mortgage credit to low- and moderate-income households.

The use of mortgage insurance as a method to provide affordable housing was further developed in 1988 with amendments to the NHA. The amendments passed with

Bill C-111 allowed so-called chattel mortgages, such as those for mobile homes, to be insured. While mortgage insurance had always played a role in allowing moderate-income households obtain homeownership, from the 1980s on it was directed more toward those at the lower-end of the income scale. This legislation was aimed at allowing lower income individuals to obtain mortgages, given that banks could now lend risk-free to these households. Senator Eileen Rossiter was clear about the intention of the Bill:

> For young couples, families of modest income, individuals such as young service people … a mobile home is often a sensible, affordable alternative to stick-built housing … [and] they offer an affordable option to renting.
>
> The indirect benefits will be equally important. Mortgage lenders will have the opportunity of targeting a new market (July 7, 1988: 3891).

Similarly, the Parliamentary Secretary to the Minister of housing noted that:

> By providing mortgage insurance for these economical homes, we are significantly increasing the number of Canadians who can achieve home ownership and build family equity. (Shirley Martin, June 30, 1988: 16967)

For policymakers, extending mortgage insurance on products like mobile homes was a win-win solution for affordable housing. Mortgage lenders were given a new market of lower-income borrowers, thereby increasing financial sector profits. The federal government achieved the politically desirable goal of increasing homeownership rates for new segments of the population with no direct federal expenditures, given that insurance operations are (in theory) self-financing. Low- and moderate-income households also benefitted because they attained the cultural dream of homeownership. Bill C-111 was significant because it began to chart out this new direction for federal housing policy. The bill also increased the federally capped mortgage insurance guarantee limit from $50 to $60 billion in order to ensure that an increasing amount of mortgages could be insured. The intent of the bill was to increase the reliance on mortgage insurance as a method to provide affordable housing, which was a key thrust of the new affordable housing policy initiated by the Progressive Conservatives.

With the construction of these new programs and emphasis on the CMHC's mortgage insurance operations, the government was figuring out what it could do to provide affordable housing within the limits of deficit reduction. Mortgage insurance was a

neoliberal tool because it did not require direct subsidies from the government or complex negotiations or consultations with the provinces. With this new emphasis on mortgage insurance operations the government also signalled its move away from comprehensive housing policies. Homeownership was the preferred tenure among Progressive Conservative policymakers rather than government subsidized rental housing.

Throughout the decade, then, neoliberal structural and ideological factors underpinned the restructuring of housing policy. Structurally, the emphasis on controlling federal deficits and adapt to global economic changes provided the impetus to restructure housing policy toward non-subsidy based methods of funding social housing and promoting homeownership. Ideologically, the government's role in providing low-income housing was questioned and the private market was viewed as perfectly capable of providing housing for the vast majority households.

In these structural and ideological conditions, the process of neoliberalization over the course of the decade was characterized by both a roll-back and roll-out dimension. In the roll-back dimension the federal government increasingly withdrew from directly building, managing, and subsidizing low-income housing projects while restructuring subsidy assistance for low-income households. In the roll-out phase, the government developed mortgage-backed securities and increased reliance on mortgage insurance to promote homeownership among low- and moderate-income groups as well as to fund social housing. In the coming decades, the federal government would build off this initial restructuring to further deepen neoliberalization ideologically and structurally.

4.4. The 1990s – the Construction and Consolidation of Neoliberal approaches to affordable housing

Over the course of the 1990s, the Liberal federal government fully established a new approach to affordable housing that was initiated by the Progressive Conservatives in the 1980s. Throughout the decade policymakers completely dismantled, withdrew, and cut-back their support for Keynesian housing programs and policies, and in their place consolidated a system of affordable housing provision centered on the CMHC's mortgage insurance operations. This section will describe the structural and ideological shifts that

undergirded this restructuring process, and how over the course of the decade the contours of a financialized affordable housing policy were constructed.

4.4.1. **Structures**

In the 1990s the Liberal federal government attempted to more aggressively control deficits than the Progressive Conservatives before them, which in turn greatly impacted the course housing policy took over the decade. Despite the best efforts by the PCs throughout the 1980s to reign in government spending, Canada's debt-to-GDP ratio grew from 40 percent in 1980 to 60 percent by the end of 1993, leading to very high costs to service the debt (Macklem, Rose and Tetlow, 1995). The Minister of Finance Paul Martin resolved in 1994 that the federal debt was going to be reduced:

> It is now time for government to get its fiscal house in order. For years, governments have been promising more than they can deliver, and delivering more than they can afford. That has to end. We are ending it. (Canada, 1994: 2)

Under the pretext of 'getting its fiscal house in order' the Liberal federal government stopped funding the production of new social housing in 1993, and by the end of the decade entirely abdicated itself from the subsidy-based Keynesian programs of the 1970s (with the exception of housing on First Nation Reserves see Wolfe, 1999; Carroll and Jones, 2000; Dalton, 2009). This complete government retrenchment from social housing represented a deepening of the neoliberalization process from the 1980s, given that in that decade remnants of Keynesian programs still remained intact (Finkel 2006).

Liberal policymakers recognized the importance of mortgage insurance initiatives developed in the 1980s, and by the mid-1990s built on this approach to make it the dominant one informing housing policy. The extent to which mortgage insurance was being relied on to provide affordable housing in the context of deficit reduction was well demonstrated the Parliamentary Secretary to the housing Minister, Reginald Belair, when he introduced an amendment to the NHA in 1995 that increased the federal cap on mortgage insurance guarantees by a third (from $100b to $150b):

> CMHC Mortgage Loan Insurance has demonstrated the flexibility to facilitate innovation in housing finance … [In 1988] the chattel loan

> insurance program was introduced as a five-year experiment to cover loans made on mobile homes and to help people who choose this kind of affordable home ownership … In 1992 the mortgage insurance program was expanded to accommodate the reduced down payment for first time home buyers making home ownership even more accessible to moderate income households. May I reiterate to my hon. colleagues that the success of this initiative has been achieved without any cost to the government.
>
> Members of the House should know that CMHC loan insurance is self-financing and self-sustaining and does not cost the government anything … Clearly, CMHC's … innovative uses of mortgage insurance are making great strides in increasing the supply of affordable housing for low to moderate income Canadians.
>
> We believe that all Canadians deserve the chance to become homeowners … we believe that NHA mortgage loan insurance is the best way for us to fulfil that important role at no cost to the government. (Bélair: November 3, 1995 16180.

Reginald Belair celebrated the success of mortgage insurance in providing affordable housing through two initiatives developed in the 1980s and early 1990s. The first initiative, discussed above in section 4.3.3 allowed for mortgage insurance to be offered on mobile homes, a predominantly low-income form of ownership. The second initiative was the First Home Loan Insurance Program developed in 1992, which insured mortgages with 5 percent down (rather than the traditional 10 percent) thereby allowing lower-income borrowers access mortgage financing through reduced down payments (CMHC, 1992). Given that these initiatives did not cost the government direct subsidies, they were understood to be and presented as a perfect tool to be used in the context of the government's deficit reduction plan.

Speaking to the same amendment, the Parliamentary Secretary to the Prime Minister, Jean Augustine was equally adamant about mortgage insurance guarantees being a deficit friendly housing tool:

> CMHC operates its mortgage insurance fund at no cost to the government. CMHC insurance is provided at no cost to the Canadian taxpayer. I repeat this. CMHC is required to achieve self-sufficiency strictly from the premiums and fees that it charges. CMHC is not part of the problem [of the federal deficit]. *In fact, it is part of the solution.*
>
> Members might be interested to learn that CMHC has returned to the Government of Canada over $1 billion since its incorporation in 1946. In

> addition, in 1992, $55 million was contributed to the government from the mortgage insurance fund.
>
> I ask all members to support Bill C-108, which will make it possible for all Canadians to have their greatest dream fulfilled: owning a home. (Augustine, November 3, 1995: 16187. Emphasis added.)

Augustine noted that mortgage insurance operations of the CMHC could even be used to *reduce* the federal debt, as the Progressive Conservatives did for the first time in 1992 when they took $55 million dollars from the Mortgage Insurance Fund in order to cover their deficit target for the 1991-1992 fiscal year (Freeman, 1992). For Augustine, the CMHC was an important *solution* for reducing the federal deficit, which indicates that the Liberals were increasingly seeing the mortgage insurance operations of the corporation as an attractive alternative to the expensive programs of the 1970s and 80s. As will be described below, not only did this approach work within the structural conditions of the time, but was also ideologically appropriate for policymakers.

4.4.2. **Ideology**

The ideological conditions existing at the time also helped facilitate the shift toward a financialized method of providing affordable housing. While in the 1980s policymakers still saw a role for the federal government in directly providing housing for lower-income groups, by the 1990s this thinking was not present mainstream political discussion by the two large parties. Alfonso Gagliano, the Minister responsible of housing from 1997 to 2002 neatly encapsulated how new approaches to affordable housing had to be found:

> [w]e are looking into the future. We must build new programs to answer the pressing need of affordable housing. We definitely cannot do it the way we used to do it. We used to put in money and build houses and distribute them. Nobody is expecting us to do that anymore. (Senate Committee on Social Affairs Science and Technology, June 1, 1999).

Gagliano's statement is telling of the ideology informing housing policy at the time. It was obvious for Gagliano that the government could not put in new money to build low- and moderate-income housing and that new approaches for affordable housing had to be found. By 'nobody' he did not include the voice of the increasing numbers of homeless people occupying Canadian cities over the 1990s (Wolfe, 1999), which indicates that

housing was no longer being thought of as a social right for all members of society, regardless of income levels. As such, it is no surprise that over the 1990s housing as a social right was entirely phased out in Liberal discussions of housing, with only critics in the NDP and Bloc Quebecois framing it in that way (calculated by the author, Hansard).

With direct state provision of low-income housing out of the question, policymakers became more accustomed to using 'creative' ways to deliver affordable housing. Access to mortgage credit and household borrowing were viewed as a creative substitute for direct government intervention in housing markets. Elmer McKay, the Minister responsible for housing (1991-1993) was clear on this change of direction in housing policy when he introduced amendments to the NHA in 1992 with Bill C-82:

> Danish writer Henrik Ibsen...said that there can be no freedom or beauty about a home life that depends on borrowing and debt. I suggest to the House that this is *exactly the opposite now* and that one has to have access to borrowing and debt in order to enjoy the kind of amenities in housing that Canadians feel they are entitled to have.
>
> We recognize the importance of being able to change with the times … The federal government has been looking into creative ways to attract new sources of funding to respond to the housing needs of low to moderate income Canadians. (McKay, 1992: 12086, 12089. Emphasis added)

For McKay, borrowing and debt were now normal for households given the changing neoliberal times. Whereas in the past policymakers were tasked with directly funding lower-income housing, in neoliberal times policymakers were tasked with finding creative new ways to develop financing options for lower-income groups.

In the context of borrowing and debt becoming established as the new normal for affordable housing, homeownership provided through 'innovative' mortgage insurance products was ideologically celebrated by policymakers. Speaking to the previously mentioned 1995 amendment, the Parliamentary Secretary to the Minister of Health, Hedy Fry, was optimistic about the financial community and CMHC's ability to meet the housing needs of borrowers:

> Home ownership is part of the Canadian dream, a dream which this government believes should be shared with all Canadians, not just a privileged few. We believe that all Canadians deserve the chance to

> become homeowners … we believe that NHA mortgage loan insurance is the best way for us to fulfil that important role at no cost to the government.
>
> With an eye on these future needs, CMHC is currently working to develop a variety of new housing finance instruments made possible by innovative uses of mortgage loan insurance. I want to talk about that flexibility, creativity and innovation, where CMHC not only sets up policy but it sets a policy after it has talked to the consumer, after it has talked and worked with the private sector to bring about innovative ways of creating housing.
>
> In developing new products, CMHC is looking to challenge the creativity of the financial community and to ensure that the largest possible number of borrowers can find a product in the marketplace to meet their precise needs. That is flexibility and that is innovation. A variety of choices will encourage lenders to compete on the basis of service and product differentiation. (Hansard, November 7, 1995: 16295).

For Fry, homeownership was to now be shared with all Canadians through expanding avenues to mortgage finance. She was optimistic that the CHMC, working with the banks to develop new mortgage insurance products could achieve this goal. The approach to affordable housing she was laying out was a significant departure from the Keynesian vision of housing, given that it narrowly promoted homeownership over all other forms of tenure. Moreover, this new approach did not rely on direct government intervention in housing markets, but rather on the financial approaches based around the CMHC's mortgage insurance operations. The focus of housing policy over the 1990s, operationalized these changes in legislation.

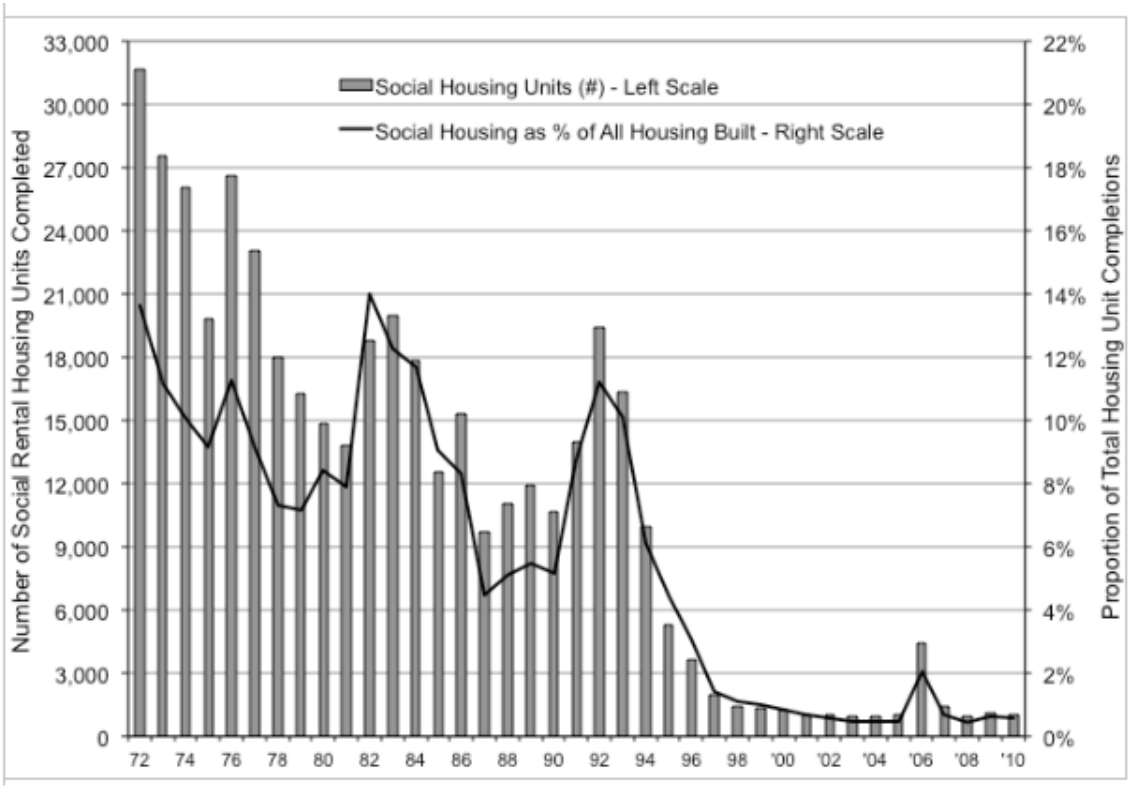
4.4.3. Housing Policy – The dismantling of social housing

In the same way that housing policy progressed throughout the 1980s, two distinct policy thrusts characterized housing legislation of the 1990s. On the one hand, policymakers moved to entirely dismantle federal involvement in Keynesian housing policy through halting the production of new social housing projects and devolving responsibility for existing housing portfolios onto the provinces. On the other hand, legislation was characterized by policymakers working to fully establish new approaches to affordable housing based around the mortgage insurance operations of the CMHC. This section will discuss these legislative shifts in more detail.

The neoliberal ‘roll-back’ saw the near complete retrenchment of the state from social housing. In 1992 the co-operative housing program, which had built 64,000 units since its conception was cancelled. In 1993, the Liberals capped funding levels for social housing at roughly $2 billion a year, thereby inhibiting the production of all new social housing projects by the federal government (Dupuis, 1999). The Liberals moved a step further toward disentanglement from Keynesian programs in 1996 when the government revealed its intention to transfer to the provinces administration responsibilities for all federally funded social housing portfolios (Wolfe, 1999; Prince, 1998; Canada, 1996). In addition to downloading responsibility to the provinces, federal funding that had historically flowed through block grants to the provinces for social policy were restructured into the Canada Health and Social Transfer (CHST) in 1995. The CHST proved ultimately insufficient to cover all aspects of social policy, leading to provinces further downloading housing onto cash-strapped municipalities (Finkel, 2006; McKeen and Porter, 1995).

In this context, the economic imperative to get the federal debt under control trumped concerns for social equity that existed in the 1970s. As indicated by Figure 4-1, after 1993 there has been a lack of new social housing production, which continues to be a big problem today.

Figure 4-1. Social Housing Units Built, by Year, Canada



Source: Walks and Clifford, forthcoming

4.4.4. Housing Policy: the consolidation of neoliberal affordable housing

Occurring alongside the dismantling of low-income housing programs, policymakers in the 1990s continued to consolidate new approaches to affordable housing for low and moderate-income groups. Alfonso Gagliano was clear on the need to develop 'creative' approaches to affordable housing:

> We should recognize that there is a need for housing. We must be creative and find new methods of building the affordable housing units that people need. (Senate Committee on Social Affairs Science and Technology June 1, 1999)

The 'creative' way of providing affordable housing was to increase the reliance on the CMHC's mortgage insurance operations. While in the 1980s the federal government began to articulate the role of mortgage insurance as an approach to affordable housing, the governments of the 1990s took this approach one step further and commercialized the

mortgage insurance operations of the CMHC. The commercialization mandate given to the corporation in 1996 turned out to be a cornerstone of the new affordable housing approach, in that it allowed the CMHC to offer new mortgage insurance products aimed at lower-income borrowers and set it out to compete with private mortgage insurers, given that General Electric entered into the mortgage insurance market in 1995 and looked to compete with the CMHC for business.[9] This aspect of policy has never been discussed in any detail in the Canadian housing policy literature, and deserves some attention given it was the main thrust of policy over the latter half of the 1990s and into the 2000s.

This new approach to affordable housing was articulated by the Parliamentary Secretary to the Housing Minister, Carolyn Parrish, when she introduced Bill C-66 that enacted into legislation the commercialization mandate:

> I will illustrate how Bill C-66 reflects several of our government's priorities and what they mean to Canadians. I will begin with CMHC's mortgage loan insurance function, a key part of our efforts to provide Canadians with access to housing in all regions of the country.
>
> In recent years CMHC has been approached to support many new and innovative products. Unfortunately under the current National Housing Act the CMHC has not been able to bring the benefits of some of these new types of home financing products to our marketplace.
>
> With these amendments CMHC will have the flexibility to consider products such as insurance for a reverse equity mortgage enabling older homeowners to use the equity in their homes to obtain funds currently while allowing them to continue to live in their homes. (Hansard March 11, 1999: 11:30)

Through commercializing the CMHC, the insurance operations of the corporation (the Mortgage Insurance Fund and Mortgage-backed Securities Guarantee Fund) were to be run on a for-profit competitive basis, rather than the break-even basis of their original mandate. The NHA and CMHC Act up until that point were more restrictive as to what the corporation could do in the mortgage insurance market and the Liberals wanted the corporation to act more like a private insurance company. For instance, under the old legislation in order for the CMHC to adjust premiums or fees according to the risk level of

[9] General Electric entered the mortgage insurance market in 1995 after the Mortgage Insurance Company of Canada (MICC) folded in 1993.

a mortgage product, alterations had to be made by order-in-council. Through commercialization, the corporation did not have to seek out government approval each time it wanted to offer new products or services such as lower down payment and higher amortization mortgages, reverse equity mortgages, shared equity loans, and index-linked financing (see Freeman, 1996).[10] Commercialization provided the CMHC with the flexibility to consult with banks to determine mortgage products for low- and moderate-income households, thereby increasing these households' access to mortgage finance (Hansard, November 3 1995: 16281). Moreover, by acting in a commercial manner the corporation could become more profitable and its surpluses could be used to pay down federal deficits.

Table 4-3 provides a timeline of the main events that occurred in housing policy over the 1990s that set up commercialization. Policy was aimed at extending the powers of the corporation, while increasing the use of mortgage insurance as a tool for affordable housing.

[10] Some of these financing tools, such as high amortization periods and lower down payments, became widespread in the 2000s

Table 4-3. Timeline of the Neoliberal 'roll-out', 1990-1999

Year	Event	Significance
1992	Bill C-82	-Grants CMHC new financial and administrative powers -Almost doubles the CMHC's mortgage insurance limit from $60b to $100b -Removes tax-exemption on MIF and MBSGF for them to be taxed like a private insurance company -Generally attempts to make CMHC more like a private insurance company
1992	First Home Buyers Program	-Allows CMHC to provide mortgage insurance on lower down payment mortgages (from the conventional 10% to 5% down) -Aimed at making ownership more affordable for lower-income households
1995	Genworth enters the mortgage insurance market	General Electric enters the mortgage insurance market in 1995 with its division Genworth, providing a private sector competitor to the CMHC.
1995	Bill C-108	-Increases mortgage insurance limit by a third, from $100b to $150b
1996	Budget	-Federal government signals its intention to turn the CMHC into a commercial financial institution, largely free from government interference -Federal government signals its intention to download remaining social housing portfolios to provinces
1999	Bill C-66	-Enabling legislation for the commercialization mandate -Allows CMHC sweeping new powers to set housing finance policy by itself -Removes social housing mandate from NHA -Establishes the financial role of CMHC in affordable housing provision -Allows the corporation to develop new mortgage securitization programs

The crucial piece of legislation enacted in the decade was Bill C-66 in 1999.The bill enshrined into legislation the government's new role in relation to housing policy and set the course for the financialization to more fully take hold in the 2000s. Bill C-66 was therefore a watershed moment in the neoliberalization of Canadian housing policy, and deserves some detailed discussion.

The first aspect of the bill created a new and re-organized Part I of the NHA, which gave the CMHC broad new powers in relation to housing finance. These alterations allowed the CMHC to insure any type of loan without federal oversight, opening up the door in the 2000s for more exotic mortgage loan products such as zero-down mortgages to be insured by CMHC. These new financial powers also allowed for the CMHC to set fee and premium structures for mortgage insurance products instead of having to rely on

Parliament or an order-in-council. While ostensibly these changes allowed the CMHC to price risk more effectively through establishing higher premiums and fees for more risky insurance products, it was also allowed to *trim back* fees and premiums in order to make mortgage finance more enticing and compete with its private competition. These new financial powers were a key element in the new affordable housing approach, given that it allowed the corporation offer a variety of mortgage insurance products aimed at lower-income homebuyers over the 2000s.

In addition to allowing the CMHC offer new mortgage insurance products aimed at lower-income borrowers, Bill C-66 also enabled the CMHC to develop new mortgage securitization programs. This legislation was necessary for the creation of the Canada Mortgage Bonds program in 2001 that significantly contributed to the growth of mortgage credit and real estate prices over the 2000s through expanding the supply of mortgage credit to households (discussed below; also see Walks, 2014). These legislative alterations were important because they removed the federal government having a strong oversight over the products the CMHC could offer, and effectively gave the CMHC the power to set housing finance policy by itself.

In addition to these changes to the NHA, the CMHC was altered to be governed more like a private business. Two public servants were removed from the Board of Directors and replaced with political appointees who were to be selected from the private and financial sector. Removing two members of the public service from the board was justified by the minister responsible for housing, Alfonso Gagliano:

> I would think there are quite competent people in the private sector who could be members of the board. That is the only reason for the change...we wish to have a Crown corporation that is at a certain distance from government and can be managed with the expertise of the private sector and can be more commercial (Senate Committee June 1, 1999).

More succinctly, Gagliano stated in another session:

> [w]e are bringing CMHC as close as possible to the private sector (Senate Committee on Social Affairs, Science, and Technology March, 25, 1999)

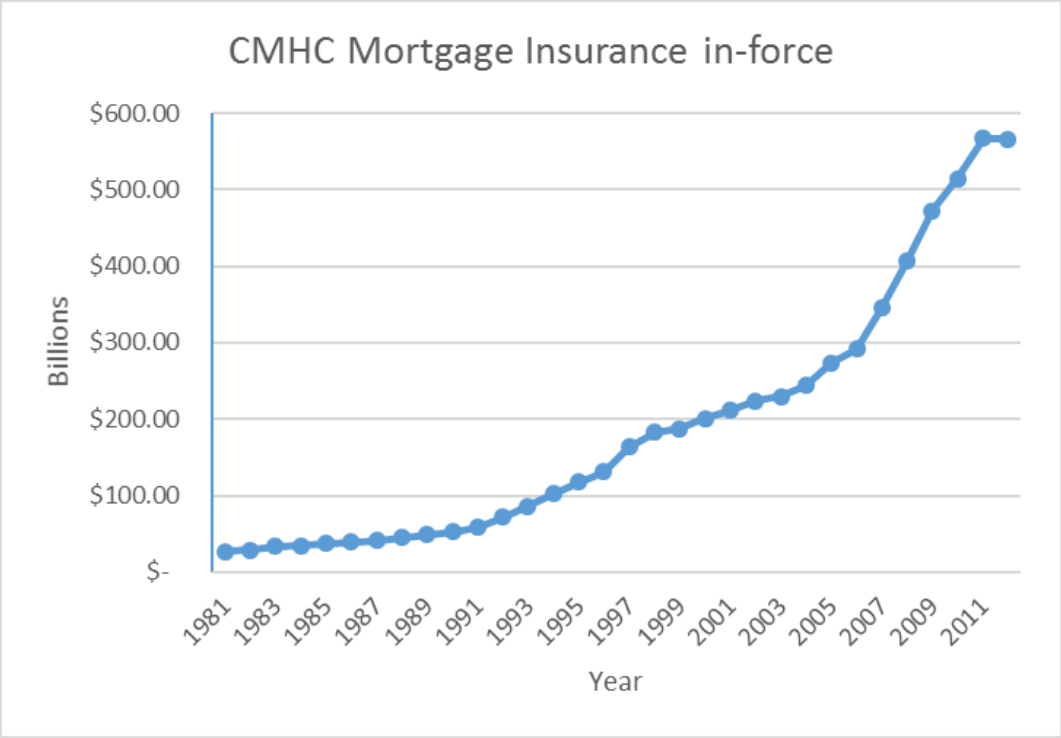
The effect of restructuring the board was that it became staffed with financial sector insiders, who moulded the corporation to build programs that were conducive to the financial sector's best interests. This commitment to the financial sector was also revealed by Gagliano himself: "what we are doing in general in this legislation is making sure the corporation can respond to the demands of consumers and *the demands of the financial sector*" (Standing Committee on Natural Resources and Government March 25, 1999; Emphasis added). Policies and programs that were developed by the CMHC after Bill C-66 guaranteed risk-free profits for the financial sector. By removing two public servants from the board, the government effectively relinquished control of the CMHC, and housing policy in general, with the full faith that the private sector was going to act with the national best interest in mind.

The second aspect of the bill removed the detailed provisions and conditions for non-market and social housing programs contained in the NHA in order to disentangle the federal government from future social housing obligations. Since the amendments in 1964 and 1973, the NHA was detailed by statutory programs that more rigorously outlined the terms and conditions for the provision public, non-profit and co-operative housing. Bill C-66 removed these detailed public, statutory mechanisms and replaced them with language that established that future housing would be provided on a negotiated contractual basis, not adherent to rigid statues. In effect, these alterations waived the non-profit and social objectives for housing projects previously enshrined in the National Housing Act. While these alterations did not affect the operating agreements the CMHC had previously entered into with housing providers for subsidies it signalled that they would no longer be in the business of creating social housing programs. This legislation then was clearly was aimed at articulating the financial role for the CMHC while deemphasizing its role in social housing.

The shift in priorities for housing policy is displayed in figure 4-2. By the 1990s, mortgage insurance guarantees by the CMHC began to take off, rising by 262 percent over the course of the 1990s, as compared to 117 percent over the course of the 1980s. At precisely the point where social housing was declining the CMHC's mortgage insurance business began to take off, indicating that housing policy was being taken over by the

commercialized operations of the CMHC. This graph reaffirms that the new focus of federal policy was on mortgage insurance guarantees.

Figure 4-2 CMHC Mortgage Insurance-in-Force, 1980-2012



Source: CMHC Annual Reports, various years and CANSIM Table

The alterations to housing policy in the 1990s solidified the new approach to affordable housing policy that was only being developed in the 1980s. Policymakers moved from a model of the state directly providing, funding, and administering social housing toward a model of providing more accessibility to mortgage finance. This new approach worked well in neoliberal times because did not rely on direct government subsidies or a strong federal presence in housing markets. As the decade came to a close Keynesian housing policy was transformed into neoliberal housing policy through the active construction and creation of new methods of delivering affordable housing.

4.5. The 2000s The Neoliberal Deepening through financialization

The housing legislation that was put in place in the 1990s led to the complete financialization of affordable housing over the course of the 2000s. The CMHC, now operating as a commercial financial institution began to offer new mortgage securitization and insurance programs that significantly boosted access to mortgage credit for lower-income borrowers. In addition, the CMHC began to compete with new major American financial institutions, who were given permission by the federal government to enter the mortgage insurance market in 2006. The Conservative government also deregulated the terms with which banks were allowed to provide mortgage credit to households, which combined with more competition sparked off a flurry of lending to low and moderate-income borrowers. In turn these measures had the impact of significantly contributing to rising real estate prices, declining affordability and household indebtedness in Canada's urban centres over the decade. The purpose of this section is to describe the structural and ideological shifts that undergirded the continued restructuring of housing policy and some of the contradictions that emerged from financialization.

4.5.1. Structures

The structural conditions facing the Liberal government at the beginning of the 2000s were much different than those that confronted the governments of the 1980s and 90s in that federal deficits were no longer an issue. In 2000-2001 the government recorded a $17.1 billion surplus, the largest in Canadian history. Two-thirds of the surplus was due to program restraint, given that federal program spending as a percentage of GDP declined from 16.4 percent in 1993-1994 to 11.3 percent in 2000-2001 (Canada, 2001). Overall, the federal-debt-to-GDP ratio declined from its peak of 70.7 percent in 1995-1996 to 51.8 percent in 2000-2001. Despite this surplus position, the federal government devoted little new money to build social housing, given that financial approaches to housing were being heavily favoured ideologically.

While in the 1990s deficits were the main factor prompting restructuring, arguably one of the reasons for continuing to favour financial approaches to housing despite the

government's surplus position was the Canadian economy's greater structural reliance on the Finance, Insurance, and Real Estate (FIRE) sector over the decade. Table 4-4 demonstrates that the manufacturing sector in Canada continued to decline in relative employment levels to the Finance, Real Estate, and Insurance (FIRE) sector over the 2000s. In addition to declining in relative employment levels, the manufacturing sector's before-tax operating profits were also on the downswing, while the FIRE sector's profit rates were growing up until the financial crisis of 2008 (Figure 4-3). The financialization of housing was both a symptom and a cause for the larger financialization of the economy.

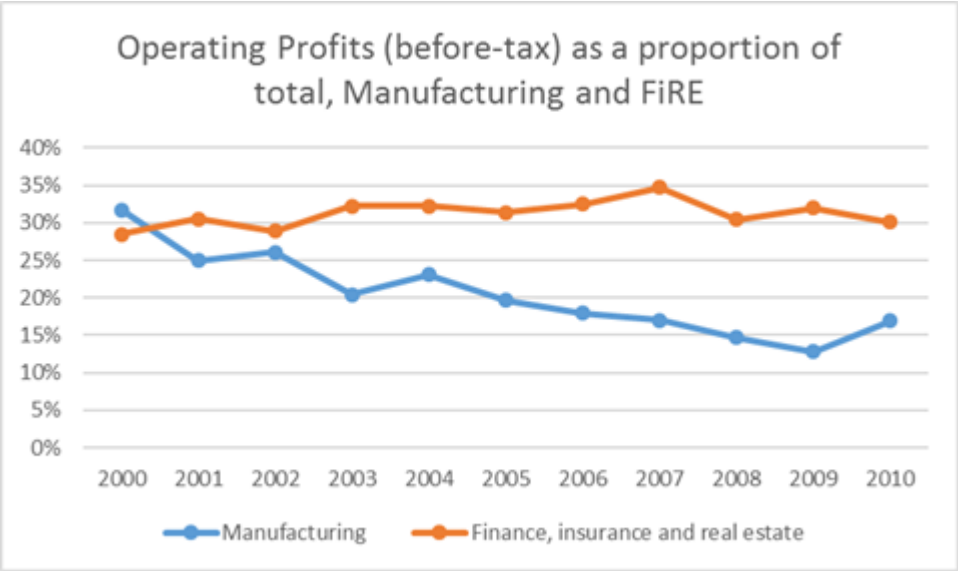
In the context of a declining manufacturing base, the economy became increasingly reliant on real estate and finance to keep up economic growth (Walks, 2010; 2014). Housing policy over the decade was focused on supporting the continued growth of the private real estate market, as it was increasingly becoming a key driver of the economy. Programs established by the CMHC facilitated flows of investment into housing markets and were a crucial component of the continued financialization of the economy. In particular, the development of the Canada Mortgage Bonds (CMB) program in 2001 and new mortgage insurance products aimed at lower-income borrowers significantly increased bank lending and credit growth, thereby helping to keep the FIRE sector's profits afloat.

Table 4-4 Employment Trends in Canada over the 2000s

	Employment #s – Beginning of decade	Employment #s – late decade	Change (%)	Annual Change (%))
Manufacturing	2,334,000(2002)	1,761,000	-24.60	-3.5
FIRE	895,000 (2001)	1,099,000	22.79	3.8

Source: Adapted from Walks, 2010

Figure 4-3 Operating profits, FIRE and Manufacturing Sector 2000-2010



Calculated by author, Statscan Canadian Economic Observer: Historical Statistical Supplement 2011

4.5.2. Ideology

Over the 2000s ideology was more prominent in driving the financialization of housing policy, as policymakers displayed an ideological optimism in the ability of financial markets to deliver affordable housing outcomes. While in the 1990s policymakers were celebrating financial innovation as a new approach to affordable housing, by the 2000s this approach became ideologically normalized and policymakers could not see any other way of delivering housing. For Liberal and Conservative policymakers, introducing more competition and innovation in the mortgage insurance market was only viewed as bringing about positive benefits for lower-income households.

The extent to which policymakers were putting their faith in the market to deliver affordable housing for lower-income borrowers was well displayed in 2006 when the House Finance Committee discussed the first budget of the newly elected Conservative party. The budget allowed major American financial institutions to enter the mortgage insurance market, and also deregulated the terms with which financial institutions could offer mortgages (discussed in more detail below). The financial sector, Liberal and Conservative policymakers, Department of Finance policymakers, and officials in the

CMHC all shared the understanding that more market competition would provide optimal benefits for lower-income borrowers through allowing these households access to homeownership financing. The extent to which policymakers were all on the same page demonstrates how deeply neoliberal ideology was shared among all parties. Actors could not see outside of market approaches to housing, thinking that financial competition would always yield positive benefits for lower-income households.

Executives from the financial institutions entering the mortgage insurance market were quite clear on their belief that market competition would benefit "underserved" households through increasing rates of homeownership. For instance, Andy Charles, the President and CEO of AIG United Guaranty, noted that

> [o]ur plan is not simply to match what already exists. We plan, however, to enhance existing mortgage insurance products to offer to a wider range of Canadian consumers, including self-employed Canadians, new Canadians, and Canadians who may have had a credit blemish in their past … [w]e think there are opportunities to increase the rate of home ownership in Canada (Senate Finance Committee, June 19, 2006)

David Liu, the Vice-President of International Markets at PMI, elaborated further that

> mortgage insurance increases borrower reach by enabling approval of customers who might not typically qualify for a mortgage. Key consumer segments touched by improved lender reach in particular are first-time homebuyers, [the] self-employed, new immigrants, and consumers with credit blemishes.
>
> In conclusion, increased mortgage insurance competition will indeed benefit consumers and create a win-win situation for borrowers and lenders. PMI's experience from around the world clearly demonstrates that increased mortgage insurance competition will make affordable home ownership a reality for more Canadians. (Standing Committee on Finance, May 29, 2006).

Similarly, Mark Tonneson, the President and CEO of Triad Guarantee noted that:

> [C]onsumers will benefit from increased competition, through better service, lower costs, and product innovation, all of which makes home ownership more affordable (Standing Committee on Finance, May 29).

For these executives, more market competition would provide a win-win solution for both lenders and borrowers as well as lead to optimal housing outcomes for households who were more likely to have lower-incomes (people with credit blemishes, new immigrants, new homebuyers, etc). In their view more market competition would force insurers to develop new mortgage insurance products aimed at higher risk borrowers, which in turn would allow banks to offer mortgages to these consumers, thereby increasing rates of ownership for these groups. This is exactly the vision of housing policy that the Liberals put forward in the 1990s. From this perspective the goals of the financial sector and the goals of low-income households were not at odds with one another and by unleashing competition both private sector profits and the public policy objective of increasing rates of homeownership could be realized.

Policymakers and officials in the CMHC were completely convinced of the claims made by the financial sector that market competition would provide a net benefit for lower-income borrowers. The extent to which policymakers thought that more competition in the mortgage insurance market was beneficial was well displayed by Liberal MP John McCallum:

> I'm starting out favourably disposed to what the government wishes to do, because it's also what our government had wished to do … perhaps more fundamentally, I tend to be on the side of Adam Smith, thinking that more competition is better than less (Standing Committee on Finance, May 29, 2006).

Conservative MP Dean Del Mastro was more forward in his understanding that competition would help lower-income households:

> what happens when people are competing for market share is that … new entrants tend [to be] termed "hot buyers", which means they approve things that otherwise were not getting approved, which means that people with shorter job tenure, worse credit ratings, and higher-debt-to-service ratios are suddenly being approved. It's a good thing, particularly for low-income Canadians … [these] are only positives for Canadian purchasers. (Standing Committee on Finance June 1, 2006)

For both the Liberals and the Conservatives, allowing more private sector competition into the mortgage insurance market would be a net benefit for low-income households given that new competition would allow these groups access mortgage loans

that they previously could not. It is worth mentioning that the one skeptical voice from both the Liberals and Conservatives was Conservative MP Garth Turner, who questioned the utility of more private sector competition. It was reported later that Diane Ablonczy, the Parliamentary Secretary to the minister of Finance, told him to tow the Conservative Party line (McNish and McArthur, 2008). Nonetheless, the exchange between Turner and Serge Dupont, the Assistant Deputy Director of the Financial Sector Policy Branch is revealing of how deeply neoliberal ideological tenets were being adhered to by the Conservatives:

> Hon. Garth Turner:
>
> The benefits of competition, as I understand from your last response, would be more competitive pricing and better service. On what do we base those comments?
>
> Mr. Serge Dupont:
>
> It's simply the basic rules of the market. As you bring more suppliers into a market, that tends to provide either better prices, better services, or better outcomes for the demand side of the market. In this case it's the financial institutions directly, and the consumers indirectly.
>
> Hon. Garth Turner:
>
> So it's just a theoretical supposition that competition breeds lower prices and better service across the board.
>
> Mr. Serge Dupont:
>
> I think it's a general proposition in the domain of economics.
>
> Hon. Garth Turner:
>
> But we haven't done any research, and we haven't talked to the stakeholders.
>
> Mr. Serge Dupont:
>
> The stakeholders could have a different view about whether competition is a good thing. But I would hold that in general competition flows through and benefits the demand side of the market.
>
> Hon. Garth Turner:
>
> Is one of the major advantages you're visualizing lower insurance premiums for high-ratio mortgages?

Mr. Serge Dupont:

> Or it could be some form of better service. The marketplace will decide what the innovations will be, whether in terms of product, price, or servicing. That will be for the marketplace to determine. (FINA, May 2006)

Not only were high-ranking members of the bureaucracy completely convinced of the benefits of competition, Karen Kinsley, the president of the CMHC noted in the hearings that “we don't believe that heavy regulation is required in this environment. The marketplace will dictate where we have to go” (House Finance Committee, May 26, 2006). Kinsley believed that the government did not need to regulate market conduct for what products financial institutions could offer borrowers, given that the market could do no wrong. These quotes help demonstrate how policymakers thought that competition was an unmitigated good, and that markets were the best form of delivering housing outcomes. For policymakers there was seemingly no limit on how many lower-income households financial innovation could help and throughout the decade policy was reflective of this ideology. It should be noted that these rule changes were occurring already at a time when signs of the American market were turning sour, but were entirely overlooked (McNish and MacArthur, 2008; Walks, 2014).

4.5.3. The Financialization of Housing Policy

Housing policy over the decade was dominated by the market activities of the CMHC, with little new funding from the federal government for new social housing. In 2001 for instance, the government earmarked $680 million for social housing and offered the funding on a 50/50 cost shared basis with the provinces. Alfonso Gagliano however was adamant that long-term federal subsidies would not be resurrected (Pomeroy and Falvo, 2013). The government’s unwillingness to fund new social housing was also demonstrated after the NDP brokered a deal with the Liberal government in 2005 that had the NDP support the 2005 budget in exchange for $1.4 billion in social housing investment distributed over 3 years (Ibid). After the Progressive Conservatives were elected in 2005,

they honoured the limited new funding toward housing brokered under the Martin-Layton deal, but largely neglected housing after this money ran out.[11]

The levels of funding devoted to social housing over this time were a drop in the bucket compared to the desperate need for low- and moderate-income rental housing and did little to substantially change affordability issues for low-income households in Canada's rental markets. Table 4-5 displays deteriorating rental affordability in Canada's major Census Metropolitan Areas over the 2000s, as displayed by the increasing proportion of 'severely cost burdened' households spending over 50% of their gross before-tax income on shelter costs. The 50% threshold represents a 'crisis level' of spending and is disproportionately distributed among women, lower income, aboriginal, single parent, and elderly households (BCNPHA, 2014).

Table 4-5 Percent of Renters Spending more than 50% of Gross Income on rent and utilities, various CMAs, 2001-2011

	2001 - % of renters spending more than 50%	2011[12] - % of renters spending more than 50%
Vancouver	22.3	24.3
Calgary	16.0	18.7
Toronto	20.0	21.6
Montreal	18.1	19.8
Ottawa	17.1	18.5
Winnipeg	16.1	16.7

Calculated by author, Beyond 20/20 table 97F0021XCB2001008 and 99-014-X2011046

Despite federal government surpluses, policymakers did little to help with the rental housing situation, and where it did provide money for housing, it paled in comparison to the mortgage insurance operations guaranteed by the CMHC.

[11] Additional new funding has been provided for short-term emergency shelters and transitional housing, usually in the form of capital expenditures. However, long-term social housing subsidies have not been resurrected under Harper's Conservatives (see Pomeroy and Falvo, 2013).

[12] This data is taken from the 2011 National Household Survey, which replaced the long-form census. Due to the voluntary nature of the 2011, data is less reliable than previous census years.

As such, the main thrust of low-income housing policy over the course of the 2000s was to increase access to mortgage credit for these households. With the CMHC acting as a commercial mortgage insurance company, it began to work with banks to develop new mortgage products that could benefit low-income households. After the election of the Conservative Party in 2005, the party made the technical changes to allow more private competitors enter the mortgage insurance market through the Budget Implementation Act, Bill C-13.[13]The bill extended to the private mortgage insurers a guarantee that the federal government would cover 90 percent of their losses in the event of their default, and also doubled the cap on the federal guarantee for the private insurers to $200 billion.[14] In addition, the bill deregulated the terms with which these companies could offer insurance, increasing amortization periods from 25 to 40 years and allowing zero-down payment mortgages.

Table 4-6 provides a description of some of the initiatives the CMHC introduced in order to make homeownership more affordable for lower income borrowers and gives some indication of how competition affected lending standards. In the early part of the decade, the CMHC began to offer relaxed down payment terms as well as reduced premiums in order to entice more individuals into the ownership market. By the middle of the decade, housing finance became much more widespread through extended amortization rates and reduced downpayments.

[13] American International Group (AIG) had approached the Department of Finance and Liberal Party to enter the mortgage insurance market in 2004, but the legislation required to bring them in died on order paper.

[14] The cap for private mortgage insurers and the cap for CMHC mortgage insurance activities are different funds.

Table 4-6 Mortgage Product Innovation 2003-2008

CMHC Initiative	Year	Description
Home price cap lifted on mortgage insurance	2003	-CMHC lifts the $300,000 home price limit on mortgage insurance -Allowed expensive homes to be insured that would otherwise be out of reach for lower-income borrowers
Insurance premiums reduced	2003, 2005	-CMHC premiums reduced by 15% in 2003 and 15% in 2005 -Made mortgage financing more attractive for borrowers requiring insurance
CMHC 'Flex Down' mortgage	2004	-Allowed households to borrow the down payment from sources such as friends or banks rather than using their own savings
Interest only mortgages	2006	-Allowed qualified borrowers pay only interest on the mortgage for the first 10 years of the mortgage, thereby keeping monthly payments low
Extension of amortization terms	2006	-Amortization rates increased from 25 years to 40 years from March to October, 2006 -Allowed lower income individuals access financing through reducing monthly payments -By mid-2008 roughly 60 percent of all mortgages issued in Canada had 40 year amortizations
Zero-down payment mortgages	2006	-Brought the down payment required for a home from 5 percent to zero
Application fee for mortgage insurance removed	2006	-The $165 fee for mortgage insurance was waived in order to increase affordability of financing
"Self-employed simplified loans"	2007	-Allowed self-employed individuals to obtain mortgages without documentation of income or assets
Insurance on investment properties (0 down, 40 year amortization)	2007	-Allowed individuals to take out mortgage on rental properties, without down payments and 40 year amortization periods -Effectively sanctioned speculation in real estate markets, as individuals could receive financing on homes that were not their primary residence

Officials in the CMHC claimed that these measures would boost affordability for homebuyers, indicating that they thought that the new approach to affordable housing was working well. For instance, Joe Fontana, the Minister responsible for housing from 2004-2005, stated in 2005 that "all of these changes will improve access to Canadians for safe, affordable housing, and build on the significant commitment already in place the meet the housing needs of Canadians" (Quoted in Marty Hope Star-Phoenix April 2005: F2). Similarly, Dino Chiesa, the chairman of CMHC in 2006 noted that the changes to

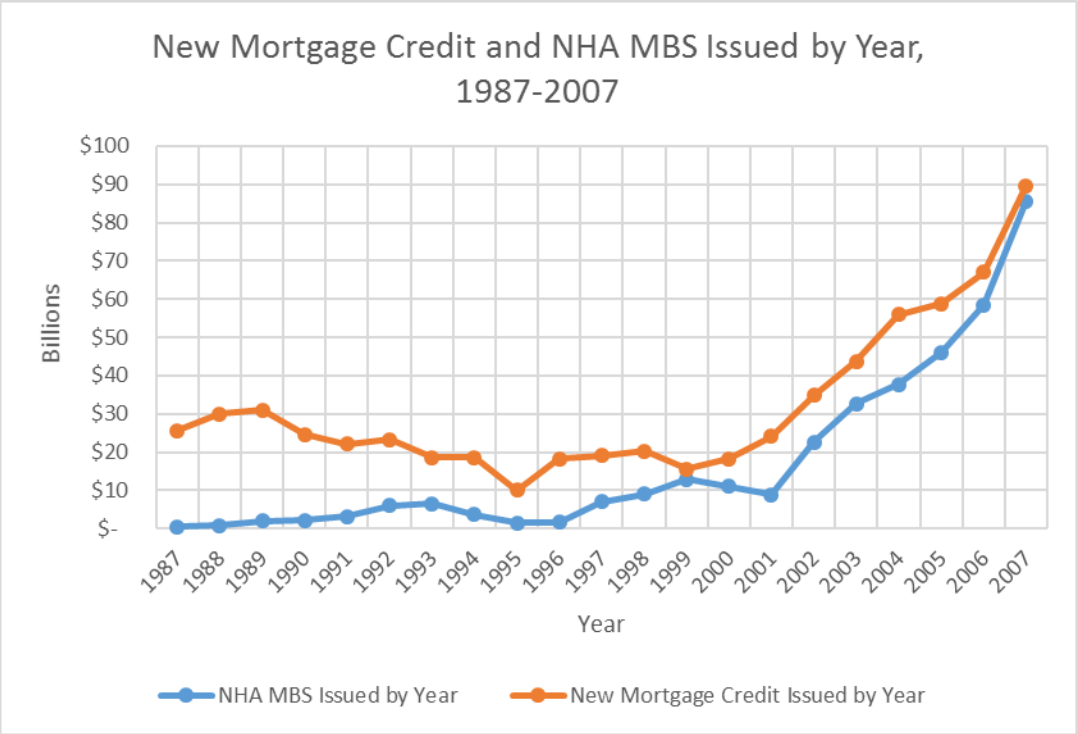
amortization terms were “part of [CMHC’s] ongoing commitment to ensure Canadians have access to quality, affordable homes. We are constantly working to extend homeownership eligibility to a larger number of Canadians” (Quoted in Hope: Calgary Herald March 4, 2006). These mortgage insurance initiatives were even said to promote affordable rental housing, as demonstrated when Pierre Serre, the Vice-President of Insurance Products at the CMHC stated that “[t]hese enhancements will ensure continued supply of affordable rental accommodations across Canada” (quoted in Garry Marr National Post, October 25, 2007). For officials in the CMHC financial innovation was working well to provide affordable, safe, and decent housing.

While CMHC officials stated that these innovations made housing more affordable, these financing terms were an important aspect of declining affordability in Canada’s metropolitan centres over the decade. These policies allowed for credit loosening and lower lending standards, through permitting higher loan-to-value and loan-to-income ratios to be approved. In addition to permitting younger and more vulnerable households take on an excessive amount of debt, these policies contributed to rising prices in urban housing markets through increasing demand in property markets by allowing households to bid more on homes than they would otherwise (Walks, 2012). This point will be discussed further below.

In addition to more mortgage products being offered through mortgage insurance, one of the most important developments in housing policy over the decade was the CMHC's creation of the Canada Mortgage Bonds (CMB) program in 2001. The program was also a crucial factor in the financialization of housing policy. The program created the Canada Housing Trust (CHT) as a 'special purpose vehicle' (SPV) that sells bonds called Canada Mortgage Bonds (CMBs) to large-scale investors. The money from the sale of those bonds are used to directly purchase conforming mortgages and NHA MBS from banks, moving them off banks’ balance sheets and onto on the books of CHT/CMHC. Thus, the CHT is a public body that absorbs credit risk and reduces the amount of capital the banks are required to hold in reserve, allowing them to ramp up their lending (for a detailed discussion, including the financial risk this puts the Canadian public in see Walks, 2012, 2014; KPMG, 2008).

The CMB program gave the banks and other financial institutions a guaranteed buyer for their NHA MBS and conforming mortgages and as such created a large incentive for banks to originate more mortgages. In turn, this incentive helped spur the rapid increase of mortgage credit and home prices in the post-2001 period (KPMG, 2008; Canso 2013; Walks, 2014). Alan Walks notes for instance that "even before the financial crisis erupted, the CMB program, more than any other factor, was responsible for driving house prices for new buyers" (Walks, 2014:9). A 2008 review of the CMB program also noted that between 2001 and 2006 credit flowing from the CMB program was responsible for a '37 percent of the net increase in residential mortgage values outstanding over this period' (KPMG:4). As figure 4-4 shows, securitization took off after 2001, and helped push up the amount of new mortgage credit being issued. This aspect of financialization was an important aspect of increasing unaffordability and household indebtedness, as mortgage insurance guarantees and securitization programs gave the banks risk-free profits just for originating mortgages, and thus a perverse incentive to do so (Walks, 2014).

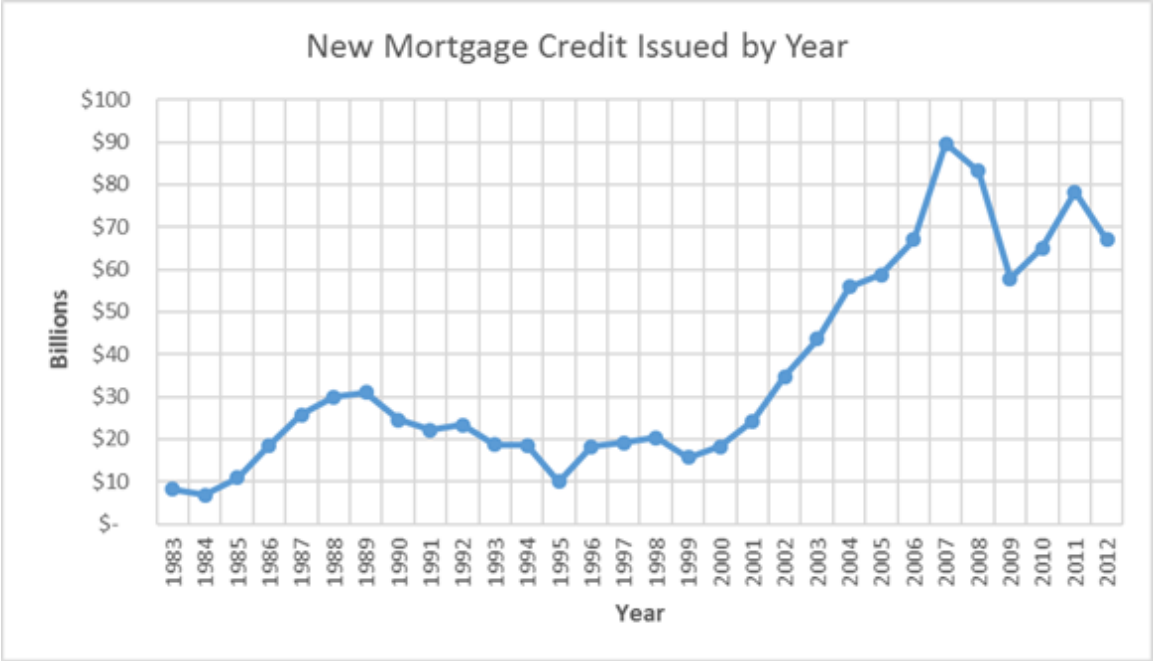
Figure 4-4. New Mortgage Credit ad NHA MBS Issued by Year, 1987-2007



Source: Calculated by the author CMHC, various years and CANSIM Table 176-0032

The combined effect of more innovative financing terms, securitization, and low interest rates, and increasing demand are shown in Figure 4-4, which demonstrates how historically unprecedented the growth of mortgage credit was over the 2000s. The credit boom that developed over the decade was an important aspect of declining affordability over the 2000s. The strong relationship between home values and mortgage credit is witnessed by their high statistical correlation since 1990 (r=.981) (Walks, 2014).

Figure 4-5 New Mortgage Credit Issud by Year, 1983-2012

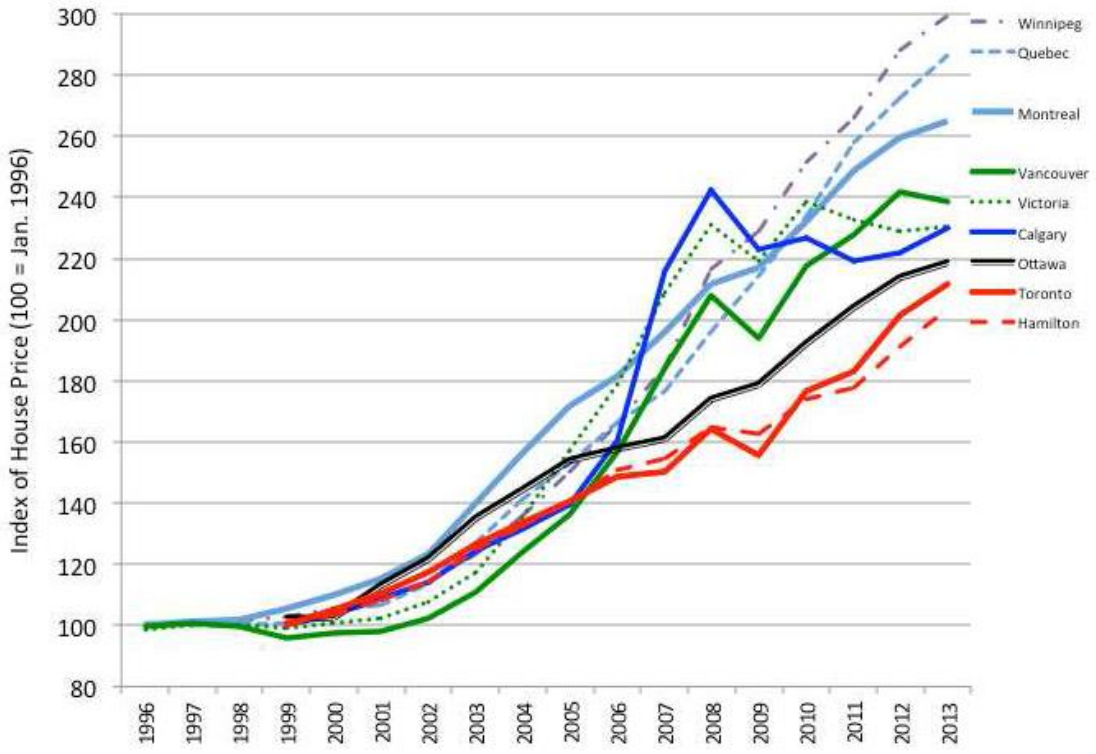


Source: Calculated by the author, CANSIM Table 176-0032

While figure 4-5 demonstrates the rise in mortgage debt over the decade nationally, figure 4-6 demonstrates the declining affordability in Canada's urban home ownership market through demonstrating rise in the house values in Canada's major markets. The graph show a rapid appreciation of prices after 2001, as interest rates declined, the CMB programs took off, the cap on insurable mortgages was removed, and mortgage lending criteria were loosened. When compared to median incomes, home prices nationally went from a standard multiple of 3 to 4.6 across major metropolitan areas in 2012 (Demographia, 2012; Walks, 2012). In Toronto this ratio increased to 5.5 in 2012, while in Vancouver it rose to 10.6, making it one of the most unaffordable markets in the world (Ibid). Similarly, Table 4-7 demonstrates that the percentage of owners with a

mortgage spending over 50% of their gross income on housing was increasing in nearly all major metropolitan centres over the 2000s. Spending 50% of gross income toward housing costs leads to problems of being able to afford basic necessities, leading to the further growth of indebtedness through reliance forms of consumer credit such as credit cards.

Figure 4-6 House Value Index, Large Canadian Metropolitan Areas, 1996-2013



Source: Walks and Clifford (forthcoming)

Table 4-7 Percent of owners with a mortgage spending more than 50% of income on housing

	2001		2011[15]	
	# owners with a mortgage spending more than 50%	Percent of mortgage holders spending more than 50%	# owners with a mortgage spending more than 50%	Percent of mortgage holders spending more than 50%
Vancouver	37210	14.7%	63235	18.4%
Calgary	13195	8.1%	23615	10.5%
Toronto	66365	11.0%	130675	15.4%
Montreal	36210	8.4%	52765	9.5%
Ottawa	18120	5.8%	29945	7.0%
Edmonton	10130	7.4%	18445	9.5%
Winnipeg	6205	6.2%	8710	7.3%

Source: calculated by the author Beyond 20/20 Table 97F0021X2001007 and 99-014-X2011031

It was clear by the mid-2000s that the credit boom underway was targeting lower-income borrowers. In October of 2006 a study by Benjamin Tal showed that subprime mortgage originations were the fastest growing segment of the Canadian mortgage market from early 2006 on. Over the first half of 2006, subprime originations rose by 50 percent from the same period a year before, leading to "no less than 85,000 Canadian households, who otherwise would have been shut out of the market to become homeowners" (Tal, 2006: 4). The policy of developing mortgage products for lower-income borrowers was leading to potentially vulnerable households entering the homeownership market. The banks did not care who they were originating mortgages to however because the CMHC/CHT were purchasing the mortgages off of their balance sheets through the CMB program.

Despite the claims of policymakers, it is questionable to what extent lower-income groups benefitted from innovation and competition in the mortgage market. In a narrow sense competition and innovation made monthly payments more affordable through extending amortization rates and lowering down payments. However this innovation and

[15] This data is taken from the 2011 National Household Survey, which replaced the long-form census. Due to the voluntary nature of the 2011, data is less reliable than previous census years.

competition also saddled potentially vulnerable households with long-term debt and made it more difficult for these homeowners to build equity given the astronomical interest charges associated with longer amortization terms (see Kane, 2006 for a breakdown of different amortization terms). Moreover, these innovations were also contradictory, in that making mortgage finance more 'affordable' helped contribute to more demand in real estate markets which subsequently helped increase prices. Households had to go further into debt to purchase their home, or use longer amortization terms in order to afford housing in the market. Affordability problems have continued to shut out lower-income, younger, and marginalized groups out of having safe, affordable, and decent shelter (Walks, 2012; 2014). In many ways, housing policy over the course of the decade looked out for financial sector profits first, and the well-being of low-income households second.

The course housing policy took over the 2000s brings to mind up what Wyly, Moos, and Hammel have said about contemporary homeownership in the US:

> Unfortunately, the material meaning of homeownership has changed dramatically in recent years – particularly for the poor and working classes, and for racially marginalized consumers. Millions of debt-strapped "owners" have only the most precarious, tenuous rights to "have" or "possess" … Many owners are in fact renters, with capital as the landlord. (2012: 252)

Despite promises that innovation and competition could provide optimal benefits for lower-income and "underserved" sections of the market, housing policy over the course of the decade created millions of debt-strapped households. The question emerges then whether or not lower-income households would have been better supported by comprehensive solutions to housing policy. Instead of narrowly promoting homeownership as the best form of tenure for all households, housing policy could have provided a mix of programs that could make different tenureship options affordable. Policymakers however were of one mindset: the market could do no wrong.

I have tracked the history of Canadian housing policy restructuring to roughly 2008, given that Walks (2014) and Walks and Clifford (forthcoming) discuss the federal government's post-crisis response to the GFC, which only exacerbated the problem of high home prices and rising indebtedness. As the GFC set in, the federal government enacted a major securitization program through the Insured Mortgage Purchase Program

(IMPP) that purchased the high-risk mortgages that had been originated by Canadian financial institutions over the 2006-2010 period (Walks, 2014). The IMPP amounted to a bail out for Canadian financial institutions through purchasing mortgages en masse off their books. As Walks notes, state-induced securitization effectively *became* the mortgage market post-crisis, and led to an even greater expansion of the real estate bubble and household indebtedness (Ibid). The housing system that was put in place over the course of restructuring, with the CMHC at its centre, was at the heart of how Canada weathered the GFC so quietly. In the conclusion of this project, some discussion will be given to how the federal government has attempted to undo the policies that unfolded over the 2000s, thereby implicitly recognizing the failure of these policies.

4.6. Conclusion

This chapter has demonstrated how and why the Canadian federal government contributed to the financialization of affordable housing policy and how these changes helped inflate real estate prices and debt levels over the 2000s, thus helping to reinforce the overall financialization of the economy. The structural incentive to get the federal deficit under control over the 1980s and 90s prompted policymakers to discredit and dismantle the Keynesian programs of the 1970s. The federal government however did not simply leave housing to the market, but rather refashioned state intervention in housing policy through increasingly tying affordable provision to the insurance and securitization operations of the CMHC. Policymakers thought that expanding mortgage insurance on products aimed at lower income borrowers as well as securitization programs were an effective method of delivering affordable housing that did not cost the government direct subsidies. Through commercializing the CMHC policymakers they could unleash competition and financial innovation for the benefit of lower-income borrowers. As the policy of commercialization was fully borne out in the 2000s, the CMHC acted on its own to provide new mortgage insurance products and securitization programs aimed at expanding credit to as many households as possible. Coupled with declining interest rates these changes helped spark mortgage credit entering into urban housing markets and helped to increase home prices.

Ideologically, policymakers became increasingly convinced in the power of competition, financial innovation, and markets to deliver affordable housing. As neoliberal ideology became more entrenched, the idea of housing as a social right was gradually phased out from political discussion and it was thought of more of in terms of an economic commodity. By the 2000s, the ideological faith was spurring on the restructuring process. For policymakers operating under these assumptions, the state did not need a strong role in providing affordable housing because financial innovation and markets could do as good of a job.

Housing policy based on borrowing and debt has helped spur on the process of financialization, as programs increasingly came to direct flows of investment into housing markets. Even before the financial crisis erupted in the 2008, housing prices and indebtedness were at an all-time high as policy prompted banks to lend as much mortgage credit out as possible. As will be discussed in the conclusion below, policymakers are now confronted with high real estate prices and indebtedness, and the solution has been to rely on further neoliberal nostrums to remedy the problem previous rounds of neoliberal regulation that got us here in the first place. The neoliberalization of housing policy, in short, is far from over.

Chapter 5.

Conclusion

This project has developed a history of the restructuring of affordable housing in Canada. It has argued that declining affordability and rising levels of household indebtedness that developed over the course of the 2000s, were closely tied to the incremental neoliberalization and financialization of affordable housing from the 1980s to the 2000s. I end this project with a brief discussion of how the federal government has implicitly recognized the failure of past neoliberal policy experimentation, and has subsequently attempted to re-regulate the mortgage market through relying further on neoliberal principles. The continued march of neoliberalization has been accompanied by increasing need for housing by low and moderate-income individuals and families, and I will end with a discussion of how the federal government could reignite a progressive and inclusive housing policy.

Since the Global Financial Crisis began, the federal government has taken steps to re-regulate the mortgage market, as well as rein in the commercial activities of the CMHC, thereby implicitly recognizing the failure of previous rounds of policy experimentation. Between 2008 and 2012 the Finance Department re-regulated lending conditions, bringing amortization rates back down to 25 years and minimum down payments to 5 percent (Walks, 2012). The government moreover began to ban high-risk mortgage products that were introduced throughout the late 2000s. In 2011 the Office of the Superintendent of Financial Institutions (OSFI), Canada's primary regulator of financial institutions, began to oversee the CMHC and in 2012 the board was changed from 10 to 12 members, adding the Deputy Minister of Human Resources and Skills Development and the Deputy Minister of Finance. OSFI was concerned with what they saw occurring with CMHC's commercial activities and decided to strengthen state oversight by adding those officials (Perkins, 2012). This alteration effectively undid the changes to the board that Bill C-66 had created in 1999. A new provision was also put into the mandate of the CMHC in 2012 to promote the financial stability of the Canadian economy (CMHC, 2013).

In 2013, the CMHC moved to limit its mortgage insurance and securitization guarantees as the federal government capped new CMB issuance at $85 billion a year and decreased its mortgage insurance in force from $566 billion to $562 billion in 2014. A review of the CMHC's insurance operations in 2014 also recommended increasing premiums on mortgage insurance back to the levels they had been at before being loosened in 2003 and 2005. Similarly the CMHC stopped insuring mortgages worth more than a $1 million, which re-established a cap on insurance that had been lifted in 2003. Implicitly, the Canadian federal government realized the problems of a commercial CMHC and has sought to limit the exposure of the federal government and Canadian taxpayer to the failure of neoliberal policy in order to promote financial stability.

At the same time, there have been increasing calls for the privatization of CMHC and for mortgage insurance activities to be completely turned over to the private sector (Walks and Clifford, 2014). This policy prescription however would have consequences for regional equity given that rural and northern communities would be shut out of mortgage insurance altogether. Moreover, privatization would potentially have implications for future social rental housing policy, given that there would no longer be a public body with capacity and experience to handle new social housing commitments should political winds change. Policymakers are seeking to fix regulatory failure through the same neoliberal policy fixes that got us here in the first place. This tendency for neoliberalism to 'fail-forward' through correcting past failures through re-regulation makes the process so powerful, given that policymakers cannot see another method of tackling problems (Peck, 2010).

Growing alongside these changes to the CMHC, the lack of affordable rental housing has increasingly become exacerbated. In Canada in 2011, a full 19 percent of renter households spent 50 percent or more of their gross income on shelter, and a full 40 percent of renters spent more than 30 percent (BCNPHA, 2014). The poorest households have been hit hardest by a lack of affordable housing, with 70 percent renter households in the first income quartile spending more than 50 percent of their income on shelter. The federal government continues to remain ideologically unwilling to fund purpose built social housing, which contributes significantly to affordability issues for lower-income households (see Colderley, 1999). Similarly, the federal government has been unwilling

to re-commit subsidies for expiring operating agreements with social housing providers, making many of these projects financially unviable. These statistics again speaks to the persistence of neoliberal ideas. The need for low-income housing grows, but policymakers at the federal level ignore it.

One might question then what policies are that can bring us out of the current affordable housing crisis that we face. The answer is the same as Dennis and Fish noted in their seminal study of housing programs all the way back in 1972:

> New and radical solutions need not be developed to deal with low income housing … The necessary changes have been recommended time and again over the last three decades … Real progress has not been retarded by an absence of ideas or understanding but by an unwillingness to act …
>
> Governments must be prepared to establish the goal of decent housing for all Canadians at a price which they can afford and make whatever changes are necessary in the mechanisms for producing, maintaining and distributing housing to see that goal is met (pg. 14)

The answers to housing problems are already in existence. Time and time again, studies have reaffirmed the need for the federal government to fund and supply affordable rental housing for low and middle-income groups (FCM, 2004; BCNPHA, 2009; Homeless Hub, 2010; CAEH, 2012). What is needed is an ideological willingness to restructure the neoliberal institutional settlement in order to establish housing as a spending priority for government. Once the political will is established, the answers are known. Funding for non-profit and co-operative housing, rehabilitation, land banking and land assembly, tax incentives, and income redistribution can produce a housing system that is inclusive, fair and comprehensive. Housing however must first be viewed as a social right that is placed above a crass commodity to be bought and sold on the market.

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